

Audit and Governance Committee

28 September 2022



Working in partnership with **Eastbourne Homes**

Time and venue:

6.00 pm in the Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG

Membership:

Councillor Robin Maxted (Chair); Councillors Amanda Morris (Deputy-Chair) Sammy Choudhury, Peter Diplock, Tony Freebody, Md. Harun Miah, Kshama Shore, Candy Vaughan and Stephen Gilbert (Audit Independent Member)

Quorum: 2

Published: Tuesday, 20 September 2022

Agenda

1 Minutes (Pages 5 - 10)

To confirm the minutes of the last meeting of the Committee.

2 Apologies for absence/declaration of substitute members

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

4 Questions by members of the public.

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

5 Urgent items of business.

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

6 Right to address the meeting/order of business.

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

7 External Audit Update

A verbal report of the external auditor, Deloitte.

- 8 Treasury Management Report (Pages 11 - 26)**
Report of the Chief Finance Officer.
- 9 Internal Audit and Counter Fraud Report (Pages 27 - 64)**
Report of the Chief Internal Auditor.
- 10 Strategic Risk Register Quarterly Review (Pages 65 - 78)**
Report of the Chief Internal Auditor.
- 11 Date of next meeting**

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:

Councillors wishing to address the meeting who are not members of the committee must notify the Chairman and Democratic Services in advance (and no later than immediately prior to the start of the meeting).

Democratic Services

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

Email: committees@lewes-eastbourne.gov.uk

Telephone: 01323 410000

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



Working in partnership with **Eastbourne Homes**

Audit and Governance Committee

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 12 July 2022 at 6.00 pm.

Present:

Councillor Robin Maxted (Chair).

Councillors Amanda Morris (Deputy-Chair), Sammy Choudhury, Peter Diplock, Md. Harun Miah, Kshama Shore, Candy Vaughan, and Stephen Gilbert (Audit Independent Member).

Officers in attendance:

Tim Whelan (Director of Service Delivery), Nick Ducatel (Functional Lead - Growth and Prosperity), Jackie Humphrey (Chief Internal Auditor) and Ola Owolabi (Deputy Chief Finance Officer - Corporate Finance).

1 Minutes

The minutes of the last meeting, held on 2 March 2022, were confirmed as an accurate record.

2 Apologies for absence/declaration of substitute members

Apologies were received from Councillor Freebody and from Homira Javadi, Chief Finance Officer. Councillor Jane Lamb attended as substitute.

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

There were none.

4 Questions by members of the public.

The Chair confirmed that no questions had been received from the public.

5 Urgent items of business.

There were none.

6 Right to address the meeting/order of business.

The Chair confirmed there were no requests to address the meeting.

7 External Audits Update

External Auditor representative, Ben Sheriff, Director Audit and Assurance, Deloitte LLP, (with Niren Ramkhelawon, Deloitte, also in attendance) presented a verbal update of external auditing activity to the Committee.

Mr. Sheriff reported that Deloitte had identified and earmarked resources to work on the outstanding external audits as follows:

- 2019/20 audit of the Council as from the start of July 2022
- 2020/21 audit of the Council as from the start of September 2022
- 2021/22 audit of the Council as from the start of November 2022

The Committee considered the report.

Mr. Sheriff clarified that Deloitte planned to bring the External Audit for 2019/20 to the Committee's September meeting and that the External Audits for 2020/21 and 2021/22 would be brought to the Committee's November and March meetings respectively.

Members raised a number of concerns around the challenging nature of the timescale and the scale fees to be confirmed. Mr Sheriff highlighted that work on the 2019/20 Audit had begun the previous year, and that early work had been particularly complicated, with requirements in matters that pre-dated the current Finance Team membership.

The Chair invited comment from Ola Owolabi, Deputy Chief Finance Officer (DCFO). The DCFO reported that a meeting had taken place with Senior Deloitte representatives, senior Council Finance Officers and the Chairs and Deputy Chairs of the Audit Committees, which had agreed the importance of setting a timetable for delivery of the backlog of External Audits. Deloitte had confirmed that it was now in a position to rectify the primary issue of lack of resources. The DCFO noted that the timescale was ambitious but potentially possible and noted that many lessons had been learnt by both auditors and officers which would benefit the process going forward. The DCFO confirmed that the Council Team was committed and had taken measures to prepare itself to work to the timetable.

Mr. Sheriff noted that a cycle of regular meetings with the Council Finance Team had been established to help deliver the work, which included regular liaison between the DCFO and Mr Ramkhelawon specifically to agree a swift response to any issues that arose.

Responding to questions of the work cycle since the start of July, Mr Sheriff confirmed that the more recent initial audit information submissions from the Council's Finance Team were of a much higher standard and the Team had responded swiftly to the requests.

Resolved (unanimously):

To note the verbal update, including the proposed timetable.

8 Strategic Risk Register Quarterly review

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report, which presented the outcomes of the quarterly review of the Risk Register by the Corporate Management Team (CMT). During the presentation, the CIA drew the Committee's attention to a number of changes following CMT's consideration of comments made by the Committee at its previous meeting.

The Committee considered the report.

Following a request from Stephen Gilbert, the newly appointed Audit Independent Person (AIP), for background information regarding the area of cyber security, it was agreed the Mr. Gilbert would submit his questions to the CIA, via the Chair.

Members raised concerns over rising energy costs and asked about the Council's internal and external plans for response. Officers at the meeting explained that:

- The Council's Income Maximisation and Welfare Team offered and signposted residents to a number of routes for assistance and had administered over 34,000 Council Tax Energy payments since April.
- Vacation of No.1 Grove Road was complete and there was on-going evaluation of best use of council buildings.
- Financial planning for the coming year now included recommendations for specific reserves for rising 'energy' as well as 'cost of living' and 'inflation' costs.

Officers confirmed that East Sussex County Council was the lead for emergency planning under the Civil Contingencies Act and that Tim Whelan, Director of Service Delivery, was the CMT lead for corporate emergency team planning.

Officers confirmed that, while the Risk Register encapsulated the high-level process of monitoring risk, risk information was also reported to CMT through CMT members' own departmental meetings.

Resolved (unanimously):

To note the update to the Strategic Risk Register.

9 Arrears Collection Update

Tim Whelan, Director of Service Delivery (DSD), and Nick Ducatel, Lead for Income Maximisation and Welfare, presented a verbal update on the Council's progress to address the outstanding recommendations from the Internal Audit (IA) Team regarding arrears collection.

The DSD provided a brief introduction and requested that the Committee consider the report within the context of the Council's obligations for continuous arrears collection and administering central government grant schemes.

Mr Ducatel then looked at the outstanding recommendations in turn, outlining activity and achievements to date and explaining how the recommendations had now been met. During the presentation, Mr Ducatel noted that, once the business case review to align income and recovery departments under the management of 'Customer First' was completed, the outcome would be reported to the Committee.

The Chair thanked Mr Whelan and Mr Ducatel for attending the meeting. Following questions and points raised by Members, the officers clarified that:

- By law, residents were required to pay Council Tax and the Council has a duty to collect Council Tax arrears. The Council's powers to write off any Council Tax debts were very limited and potentially very costly for the Council and traumatic for the resident.
- The approach to arrears collection was decided on a case-by-case basis and was necessary as some very old debts were still recoverable.
- The years referenced in the report were those with the oldest debts.
- Analysis of old debt had been due to complete in Q1, however, the deadline had been extended after resources were diverted in April to administer the Government's Council Tax energy rebate scheme which was still ongoing. The Council's Welfare team provided residents with help and advice on managing debts, maximising discounts and accessing welfare benefits and grants.
- That both Lewes District and Eastbourne Borough Councils had areas of deprivation and that the team had plans in place for both authorities to manage arrears.

Officers confirmed that the use of enforcement agents was a last resort and would only come after repeated efforts to engage with the resident had failed. The decision to use enforcement agents was being made on a case by case basis under this review; was carefully managed and could be recalled, to ensure protection of vulnerable people. Their potential use was seen as a preventative measure which deterred, in the main, those who would otherwise wilfully refuse to pay.

In response to queries on the current status of debts, officers confirmed that the total Council Tax arrears figures had decreased from £13.2m on 1 April 2022 to £12.6m by end of June. Business Rate arrears had decreased from £2.9m to £2.4m in the same period and Housing Benefit overpayments had decreased from £3.9m to £3.7m. Officers acknowledged the difficulty in clearly differentiating between accrued and current debt and that debt reporting was broken down into financial years to help indicate 'roll over'.

Resolved (unanimously): To note the report.

10 Internal Audit and Counter Fraud Quarterly Review

Jackie Humphrey, Chief Internal Auditor (CIA), presented the Internal Audit and Counter Fraud Annual Report, which summarised the work carried out by Internal Audit and Counter Fraud across the financial year 2021-22. The CIA

noted that much of the information had been brought to the Committee in the previous Quarterly Updates.

During the presentation, the CIA included updates on the progress since April 2022 of outstanding items listed in Appendix B and on new members of the Internal Audit team. The CIA noted that an agreement had been made with Rother and Hastings Councils to arrange an external peer review of the Internal Audit Team, which would be reciprocated. Results of the review would be reported to the Audit and Governance Committee, once completed. On-going measures to improve the presentation of the reports included the addition of noting the month and year of initiation against project titles.

The Committee considered the report. During the following discussion and questions, the CIA agreed to check the current status of work with The Stage Door and Film Liaison Unit and update the Committee at the next meeting.

Members raised concerns of the number of items with partial or minimal ratings and instances of three or four follow ups. The CIA explained that, in many cases, the work was complete with only minor activity outstanding and that work is ongoing, and there were no major issues. However, occasionally, the overview of the Committee was helpful to encourage action.

Officers agreed to obtain an update from the Arrears Collection Team for Committee members, ahead of the September meeting, to help the Committee evaluate progression of the extended Quarter 1 activity and to decide if a further update to the November Committee meeting was needed.

Similarly, regarding concerns around progress of recommendations for procurement, it was agreed that the Committee would review the CIA's September report before making a final decision on any next steps.

Resolved (unanimously): To note the report.

11 Annual Governance Statement

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report, which asked the Committee to review and approve the draft Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations, 2015.

The presentation included an explanation of the new Appendix 4 'Feedback received from Managers' Assurance Statements', and the late submission of a revised Appendix 5, with revisions under the headings of 'Managing the Risk of Fraud and Corruption' and 'Financial Management Code'. The CIA also noted and explained the variation to the approved and published versions of the AGS for 2021.

The Chair thanked the CIA for the report and invited comments and questions from the Committee Members. Officers responded to Members' questions regarding classifying 'significant issues' and confirmed that the approach had

been agreed by External Auditor, Deloitte.

Resolved (unanimously):

To approve the draft Annual Governance Statement 2021/22.

12 Treasury Management Annual Report 2021/22

Ola Owolabi, Deputy Chief Finance Officer (DCFO) presented the report, which was due to go to Cabinet ahead of Full Council.

The DCFO explained that the preparation of the Annual report, reviewing treasury management activities and the actual prudential and treasury indicators for 2021/22, was a requirement of the Local Government Act 2003. He then summarised the key elements of the report and its appendices.

The Committee considered the report and extended its appreciation to both the Finance and Internal Audit Teams for all their work.

Resolved (unanimously): To note the report.

13 Date of next meeting

The date of the next meeting was confirmed as Wednesday 28 September, at 6pm, in the Court Room at Eastbourne Town Hall.

The meeting ended at 7.51 pm

Councillor Robin Maxted (Chair)

Agenda Item 8

Report to:	Audit and Governance Committee
Date:	28 September 2022
Title:	Treasury Management – Q1 2022/23
Report of:	Homira Javadi, Chief Finance Officer
Cabinet member:	Councillor Stephen Holt, Cabinet Member for Finance
Ward(s):	All
Purpose of report:	To report on the activities and performance of the Treasury Management service during April to June 2022/23
Decision type:	Budget and Policy Framework
Officer recommendation(s):	The Committee is recommended to note and recommend that Council accepts that Treasury Management Activities for the period 1 April to 30 June 2022 have been in accordance with the approved Treasury Strategies.
Reasons for recommendations:	Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.
Contact Officer:	Name: Ola Owolabi Post title: Deputy Chief Finance Officer E-mail: ola.owolabi@lewes-eastbourne.gov.uk Telephone number: 01323 415083

1. Introduction

- 1.1 This Council's approved Treasury Strategy Statement requires the Audit and Governance Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.
- 1.2 The Treasury Strategy Statement also requires the Audit and Governance Committee to review a formal summary report detailing the recent Treasury Management 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 In addition, Treasury Management updates are included in the quarterly performance management reports, considered by both the Cabinet and Scrutiny Committee. The regulatory environment places a much greater responsibility on

Members for the review and scrutiny of treasury management policy and activities.

- 1.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit & Governance Committee before they were reported to the full Council.
- 1.5 Treasury Management is an integral part of the Council's overall finances and the performance of this area is very important. Whilst individual years obviously matter, performance is best viewed on a medium / long term basis. The action taken in respect of the debt portfolio in recent years has been extremely beneficial and has resulted in savings. Short term gains might, on occasions, be sacrificed for longer term certainty and stability.

Annual Treasury Management training

- 1.6 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. Annual Investment Strategy

- 2.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 which includes the Annual Investment strategy, was approved by the Full Council on Wednesday, 9 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 11 days during the period.

3 Treasury Position as at 30 June 2022

- 3.1 The Council's debt and investment position is organised by staff within Financial Services in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.
- 3.2 **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 £'000	Int Rate%	Rating
None held as at 30 June 2022.				n/a	n/a	

3.3 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 £65.7m over this period.

Counterparty	Date From	Date To	Days	Principal £'000	Int. Rate %	Long-term rating
DMO	18/03/2022	19/04/2022	32	1,500	0.55	*
DMO	22/03/2022	05/04/2022	14	1,000	0.55	*
DMO	30/03/2022	01/04/2022	2	7,000	0.55	*
DMO	01/04/2022	11/04/2022	10	8,000	0.55	*
DMO	06/04/2022	14/04/2022	8	4,000	0.55	*
DMO	14/04/2022	28/04/2022	14	3,500	0.55	*
DMO	19/04/2022	26/04/2022	7	3,000	0.55	*
DMO	20/04/2022	25/04/2022	5	2,000	0.55	*
DMO	26/04/2022	03/05/2022	7	4,000	0.55	*
DMO	29/04/2022	04/05/2022	5	5,000	0.57	*
DMO	03/05/2022	17/05/2022	14	3,500	0.81	*
DMO	04/05/2022	11/05/2022	7	3,000	0.82	*
DMO	11/05/2022	20/05/2022	9	5,000	0.80	*
DMO	24/05/2022	21/06/2022	28	2,000	0.88	*
DMO	01/06/2022	22/06/2022	21	4,200	0.86	*
DMO	07/06/2022	28/06/2022	21	2,500	0.94	*
DMO	22/06/2022	24/06/2022	2	6,500	1.05	*
Total				65,700		

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

3.5 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 £2.96m generating interest of approximately £7.6k.

	Balance at 30 June 2022 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	1,248	2,120	0.01
Lloyds Bank Corporate Account	10	1,795	0.05
Lloyds Bank Call Account	4,000	4,954	0.50

4 TM Borrowing – Q1 2022/23

4.1 In taking borrowing decision, the Council carefully considered achieving best value, the risk of having to borrow at higher rates at a later date, the carrying cost of the difference between interest paid on such debt and interest received from investing funds which would be surplus until used, and that the Council could ensure the security of such funds placed on temporary investment.

- **Rescheduling** – no debt rescheduling was carried out during the quarter as there was no financial benefit to the Council.
- **Repayment** – none between 1 April and 30 June 2022

4.2 **Borrowing** – The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. No new loans were drawn down from PWLB (Public Works Loan Board) during the quarter to fund the net unfinanced capital expenditure and/or to replace maturing loans. Various temporary loans were taken to cover cash flow requirements. All loans drawn were for fixed rate as detailed within the table below.

Lender - Temp Debt	£m	Start Date	End Date	Rate
Loans held:				%
West Midlands Combined Auth.	10,000	21/01/2022	20/01/2023	0.25
Hyndburn BC	2,000	28/02/2022	27/02/2023	0.70
Middlesbrough Council	5,000	11/03/2022	29/07/2022	0.79
Greater Manchester Pension Fd.	5,000	21/03/2022	22/08/2022	0.70
Northern Ireland Housing Exe.	10,000	20/06/2022	19/06/2023	1.20
West Yorkshire Combined Auth.	5,000	23/05/2022	09/05/2023	1.20
Loans repaid:				
Middlesbrough Teeside Pension	5,000	22/11/2021	23/05/2022	0.04
Rotherham MBC	2,000	16/03/2022	16/06/2022	0.75
Northern Ireland Housing Exe.	7,000	20/09/2021	20/06/2022	0.07
Swansea City & County	5,000	01/03/2022	24/06/2022	0.57

5 **Interest Rate Forecast**

5.1 The Council has 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.

5.2

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

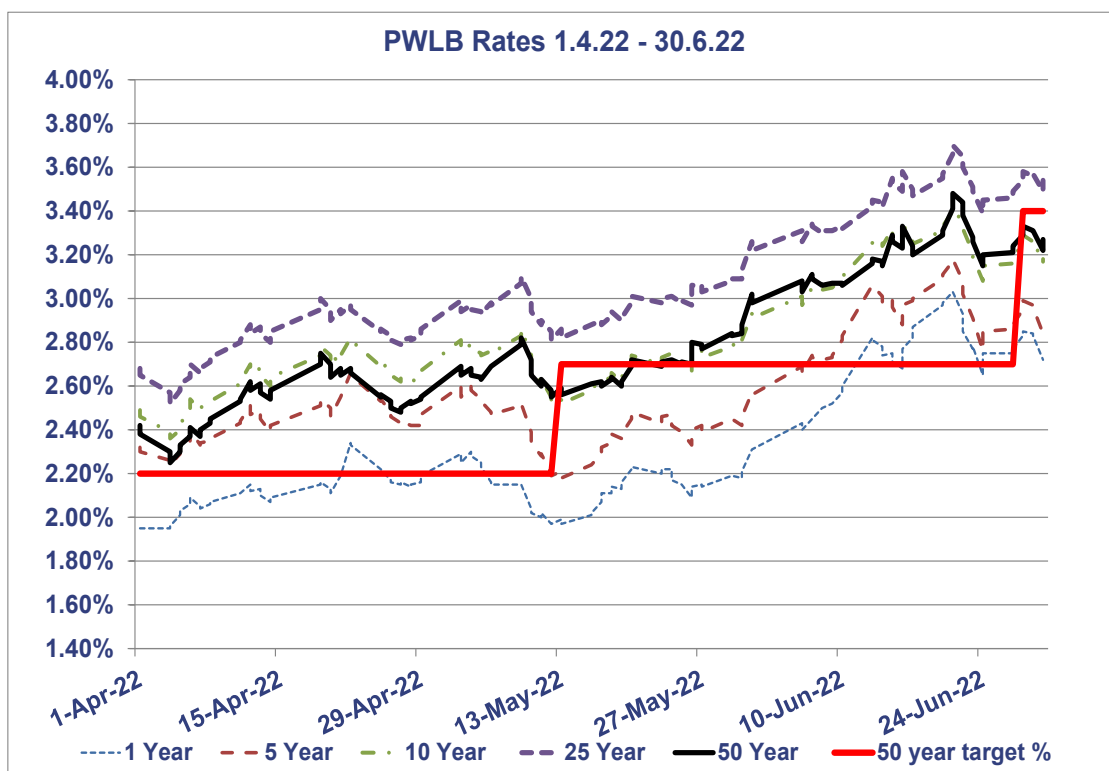
5.3 Following Russia's invasion of Ukraine in February, global inflationary pressures have intensified sharply, leading to a sizeable deterioration in the outlook for world and UK growth. The economic backdrop in the April-June quarter was characterised by higher oil, gas and commodity prices, fears 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%.
- 5.10 Inflation in the Eurozone also pushed higher to 8.1%, with energy price pressures a major contributor. Europe is heavily impacted by the energy crisis following the Russian invasion of Ukraine but concerns about the Eurozone's peripheral members and highly indebted members states complicates the European Central Bank's response as it seeks to normalise monetary policy. The ECB stated it would end quantitative easing at the beginning of July and then increase interest rates by 0.25% later in the month, the first hike since 2011. The central bank's Governing Council also convened an emergency meeting in June to address 'fragmentation' risks.

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

- 5.11 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%

5.14 Downside risks remain – the damage from the pandemic will have lasting effects and there is the risk of further virus mutations due to the uneven global rollout of vaccines. Downside risks also arise from potential future vaccine shortages as the global demand for vaccines increases.

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 (Capital Strategy 4.2.4)	£223m	£223m	GREEN
Operational boundary for external debt (CS 4.2.4)	£202m	£202m	GREEN
Gross external debt (CS 4.2.2)	£185m	£185m	GREEN
Capital Financing Requirement (CS 2.3.4)	£202m	£202m	GREEN
Debt vs CFR (Capital Financing Requirement) under/(over) borrowing	£17m	£17m	GREEN
Investments (Average)	£3.0m	£2.96m	AMBER
Investment returns expectations	0.25%	0.24%	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
Revised Capital expenditure (CS 2.1.3)			
General Fund	*£11.2m	*£0.5m	AMBER
HRA (Housing Revenue Accounts)	*£19.3m	*£0.7m	AMBER
Regeneration (Levelling Up Fund)	*£7.2m	-	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)	13.4%	13.4%	GREEN
Proportion of Financing Costs to Net Revenue Stream (HRA)	10.7%	10.7%	GREEN

Key:

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

7. Non-treasury investments

7.1 The non-treasury investment activity includes the Council provision of a financial guarantee through its subsidiary company.

7.2 **Investment Company Eastbourne Limited**

Investment Company Eastbourne Limited ('the company') is a private limited company and is incorporated and domiciled in the United Kingdom. The principal activity of the company is to guarantee an external financial liability with Canada Life and the future rental income, of Infrastructure Investments (Leicester) Limited ('IIL'), a joint venture by virtue of contractual arrangement.

ICE is included within the consolidated financial statements of Eastbourne Borough Council and accurately accounted for as 'joint venture' to reflect the joint control over IIL Ltd. The company holds a single investment in its joint venture, IIL, and exercises joint control over IIL by virtue of the Development and Management Agreement (DAMA). In return for providing the above Guarantee (including rental guarantee), ICE will receive a £0.3m annual guarantee fee.

7.3 The ICEL Board of Directors met on the 23rd of May 2022 and reviewed key financial monitoring in line with the governance arrangements in place. Canada Life have been provided with assurance, and therefore the Council expects the annual guarantee fee in line with the DAMA.

8 **Economic Background**

8.1 As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged and a detailed economic commentary on developments during period ended 30 June 2020 is attached as **Appendix A**.

9 **Financial appraisal**

9.1 Financial appraisals were considered as part of the overall Capital Programme which forms part of the Treasury Management Strategy.

10 **Legal implications**

10.1 Comment from the Legal Services Team is not necessary for this routine monitoring report.

11 **Risk management implications**

11.1 Risks relating to the timing of borrowing and terms of borrowing are considered and advice is provided by Link. Risk management is considered for each of the schemes within the Capital Programme.

12 **Equality analysis**

12.1 Equality issues are considered

13 **Appendices**

- 13.1 Appendix A - Detailed economic commentary
Appendix B – Glossary: Local Authority Treasury Management Terms
- 14 Background papers**
- 14.1 Treasury Management 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 overgrowth 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	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. The CFR increases with capital expenditure and decreases with capital finance and MRP.
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.

Report to:	AUDIT AND GOVERNANCE COMMITTEE
Date:	28th 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):	That the update on the work of Internal Audit and Counter-Fraud be noted and members identify any further information requirements. The committee is requested to consider and approve the Audit Charter. The committee is requested to consider and approve the Code of Ethics for Internal Auditors.
Reasons for recommendations:	The remit of the Audit and Governance Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk. The Public Sector Internal Audit Standards expect the Audit Charter to be periodically reviewed and brought to the Audit and Governance Committee for approval. 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 Governance Committee are requested to evidence this best practice by reviewing and approving the Code.
Contact Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

- 1.1 The remit of the Audit and Governance Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.
- 1.2 The quarterly report includes a review of work undertaken by Internal Audit and Counter Fraud.

1.3 This report summarises the work carried out by Internal Audit and Counter Fraud 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 12 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 eight reports on follow-ups of audits carried out in previous years. Three further reports were 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: 1 medium risk recommendation outstanding – work is underway on updating the handbook, consultation is taking place but has been delayed by sickness.
- 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. There are currently 25 ongoing sublet/abandonment tenancy cases at various stages. One case led by Homes First and supported by the Counter Fraud team resulted in the tenant handing the property back. 13 other cases were closed during the quarter with no further action. Two properties are due to be returned to the authority in the second quarter following abandonment investigations. One case was heard at Hastings Magistrates Court in April, with immediate possession granted due to non-occupation and rent arrears. Recovery of this property is currently awaiting a bailiff enforcement warrant.

3.2 Right To Buy - There continues to be a steady volume of Right to Buy applications since autumn 2021. 22 cases are currently either being checked to prevent and detect fraud, and protect the authority against money laundering, or waiting for a home visit to verify residential status. 14 applications were vetted during this quarter and, of these, 8 applications were withdrawn resulting in a net preventative saving of £689,000.

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. One case was investigated during this quarter which resulting in the cancellation of a temporary accommodation placement which costs the council on average £12,000 (based on the average length of a placement).

- 3.4 National Non-Domestic Rates – As part of the review of Covid-19 Business Grant Fund applications, discrepancies of Small Business Rate Relief and liable rate payer have been found. This has resulted in changes to business rate bills with a net income of £16,280 generated for recovery. Four cases have been closed during this quarter.
- 3.5 Council Tax – 35 cases have been investigated during the quarter as part of a review of Single Person Discounts, Exemptions and Disregards with a net recoverable income of £27,573 generated for the authority and a preventative saving of £22,205. A review of Council Tax exemptions/disregards is ongoing and expected to continue through 2022/23.
- 3.6 Council Tax Reduction – Four cases have been closed in this quarter generating a total recoverable income of £4,742 and a preventative saving of £144.
- 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. Over this quarter, 15 cases were closed generating a recoverable Housing Benefit overpayment of £3,576 and a (Weekly Incorrect Benefit) preventative saving of £3,441. An amount of £32.48 was also recovered from historic administrative penalty collection.
- 3.8 Housing debtors – The team continue to look at debt avoidance where loans have been made to assist with securing housing and have remained outstanding following existing debt recovery methods of contact. This activity has recouped £4,093 during this period which otherwise might have been written off.
- 3.9 National Fraud Initiative – The 2020/21 exercise is gradually nearing completion, the Counter Fraud team have cleared 1529 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).
- 3.10 Data Protection Requests – The team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During the quarter the team dealt with 18 Data Protection requests from the Police and other authorities. In addition, two fit and proper person checks were completed for new. or renewal of, Houses of Multiple Occupancy licences and 17 Gas Safety checks were completed on council properties where the tenant has not responded.
- 3.11 Following on from the government’s announcement to support businesses through the Covid-19 pandemic, the Counter Fraud 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 this work will continue into the autumn.
- 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

Not applicable

10 Appendices

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

This page is intentionally left blank

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
Stage Door	First	16.05.22	Minimal	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	Substantial	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
Theatres 2021-22	22.06.22
Sovereign Centre	27.06.22

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.

APPENDIX B – Internal Audit and Counter Fraud report – Apr-Jun 2022

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	Substantial	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			
Stage Door	15.11.21	Minimal	16.05.22	Minimal	Aug 22						
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>

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
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.

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
												<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>

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
												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.

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
Leaseholder Management and Recharges December 2020	Partial	0	2	0	28.06.22	Third	Substantial	0	1	0	Sep-22	The Leaseholder Handbook must be reviewed and updated. (6 months)	The first draft was completed in April 2022. The resident representative responsible for the EBC leaseholder consultation has been in hospital. This has halted the consultation process for EBC, we are currently looking for a suitable replacement. 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 accordance with approved guidelines. (3 months)	An overarching corporate arrears collection strategy will be considered and adopted. It is expected that this will be completed by September 2022.
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	Audit Comment No claims including VAT had been made by the time of the follow up so this could not be checked

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
												must be claimed through the creditors system. (1 month)	
												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. (3 months)	An initial start has been made on an updated claim form.
												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	An initial start has been made on an updated claim form.

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
												reference this put onto the form itself. (3 months)	
												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 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.	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.

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
												(1 month)	
												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
Stage Door November 21	Minimal	7	8	2	16.05.22	First	Minimal	5	7	0	Aug 22	Measures must be put in place to ensure stock controls are effective, and stock is strictly controlled including. (3 months)	Laptop in place. New stock control procedures and processes being implemented. Touch Office being updated with reset due for end of March. Tablet purchased exclusively for stock movement. Touch Office training underway.

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
													More frequent stock takes happening
												Adequate monitoring must be put in place to ensure that all income and information required for monitoring and reconciliation is accurately recorded while the original supporting paperwork is on hand and before income is passed to the Finance team for banking. (3 months)	New cashing up and e-return procedures in progress. New card machines in place with one merchant number.
												Procedures must be introduced to ensure that the councils' income and expenditure is recorded accurately. Discrepancies must be dealt with promptly. (3 months)	Credit card in place. However, further testing showed cash payment of £350 for live entertainment which is not within procedures. All live entertainment must be paid for through BACS. Ledger entry needs clarifying
												Procedures must be put in place to ensure customers pay for all food and drink purchased during their visit. (3 months)	Unpaid for meals issue has been resolved. Outstanding issue with occasional customer leaving without paying bar tabs.

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
												Two members of staff should be present when the tills are closed down, reconciled and income is prepared for banking at the end of the day. The process must be carried out in a secure area. (3 months)	Procedures in progress.
												Consideration should be given to the purpose of the information collated, how much of the information is simply being copied into spreadsheets and IT consulted to establish whether a program can be written to automate part of the process. (3 months)	To be looked at when Touch Office update is complete.
												A review of The Stage Door, Sovereign Centre and the Welcome Building must be undertaken to ensure adequate insurance is in place. (3 months)	Insurance update in progress.

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
												<p>Automatic Machine Services Ltd must be contacted as soon as possible to resolve the query concerning the rental fee, once resolved the discrepancies in the general ledger must be corrected.</p> <p>(3 months)</p>	<p>Rental Payments addressed.</p> <p>Ledger entry needs clarifying.</p>
												<p>The position and requirements of the security cameras must be reviewed and adjusted.</p> <p>(3 months)</p>	<p>Internal security update in progress.</p>
												<p>Consideration must be given to replacing the lock on the Congress stock room and a key register kept recording key holders and those who have access to the keys in the key holder's absence.</p> <p>(3 months)</p>	<p>Lock has been replaced. A list of key holders was provided by email, but the list (register) needs to be centrally held and accessible in case of emergencies.</p>
												<p>A review of Health and Safety at The Stage Door Public House must be undertaken, and a plan of action developed to deal with the issues identified.</p> <p>(3 months)</p>	<p>Health and Safety review complete.</p> <p>Plan in place.</p> <p>Health and Safety issues being addressed.</p>

Appendix C – Internal Audit and Counter Fraud report – Apr-Jun 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
												All staff working at the Stage Door Public House must attend Health and Safety training. (3 months)	Some training complete, others still to happen.
Love Clean Streets Application December 21	Partial	3	1	0	20.05.22	First	Partial	2	0	0	Aug 22	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. (3 months)	The Love Clean Streets service should be the responsibility of Neighbourhood First team. There is no current resource in place to perform a contract negotiation with the software developer. The software developer will be contacted to establish the first steps.
												Business Applications Manager comment - the business own their systems, rather than ICT BAU. A system owner needs to be found, in the business. Audit comment – no response was received from the Head of Neighbourhood First (3 months)	The Love Clean Streets service should be the responsibility of Neighbourhood First team. There is no current resource in place to perform a contract negotiation with the software developer. The software developer will be contacted to establish the first steps.

Appendix D – Internal Audit and Counter Fraud report – Apr-Jun 2022

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	£689,000.00	0	0	0	0	0	0	0	£689,000.00
Housing intervention/fraud	0	£12,000.00	0	0	0	0	0	0	0	£12,000.00
Revenues										
National Non Domestic Rates	£16,280.58	0	0	0	0	0	0	0	£16,280.58	0
Council Tax	£27,573.48	0	0	0	0	0	0	0	£27,573.48	0
Value of ongoing Council Tax increase per week	0	£22,205.70	0	0	0	0	0	0	0	£22,205.70
Council Tax Penalties	0	0	0	0	0	0	0	0	0	0
CTR & Housing Benefit										
Council Tax Reduction	£4,742.16	0	0	0	0	0	0	0	£4,742.16	0
Council Tax Reduction weekly incorrect benefit	0	£144.00	0	0	0	0	0	0	0	£144.00
Housing Benefit	£3,576.85	0	0	0	0	0	0	0	£3,576.85	0
Housing Benefit weekly incorrect benefit	0	£3,441.60	0	0	0	0	0	0	0	£3,441.60
Income from Administrative penalty collection	£32.48		0	0	0	0	0	0	£32.48	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	£52,205.55	£726,791.36	£0	£0	£0	£0	£0	£0	£52,205.55	£726,791.36

Appendix D – Internal Audit and Counter Fraud report – Apr-Jun 2022

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)
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:	
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 Governance Committee
Date:	28th 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 a simply a review of the register itself.
- 2.2 There are many different risks and pieces of work that feed into the Strategic Risk Register. These are managed and monitored on a day to day basis within the relevant sections and departments.
- 2.3 The quarterly meeting of the Corporate Management Team to discuss the Strategic Risk Register allows the relevant Director/Assistant Director to provide feedback on risks in their area. This information is then used to consider changes that may need to be made to the Strategic Risk Register.
- 2.4 The Corporate Management Team will also carry out “horizon scanning” at these meetings: considering issues that are arising and considering whether they need to be included in the register.

3 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 The Corporate Management Team were requested to specifically comment on the issue, raised by the committee, of why high risks were not being considered more frequently than quarterly. The Chief Executive responded that the Strategic Risk Register is considered at Corporate Management Team as a quarterly review as a standing item. Directors can raise risk issues in view of any perceived changes on a weekly basis at Corporate Management Team.
- 3.3 SR_002 – “Changes to the economic environment makes the council economically less stable”. Corporate Management Team considered the wording of the description number 3. “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 serious impact on the council’s finances”.
- 3.4. SR_004 – “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).
- 3.5 SR_007 – “Council materially impacted by the medium to long-term effects of an event under the Civil Contingencies Act”. Corporate Management Team 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”.
- 3.6 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

Appendix A - Strategic Risk Register

9. Background papers

None

Jackie Humphrey

Chief Internal Auditor

This page is intentionally left blank

Strategic Risk Register (Eastbourne)



Report Type: Risks Report
Generated on: 31 August 2022

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

Page 69

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_001	No political and partnership continuity/consensus with regard to organisational objectives.	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium-Term Financial Strategy, unfit for purpose.	3	4	12	<p><u>Reduces Likelihood</u></p> <p>1. Create inclusive governance structures which rely on sound evidence for decision making.</p> <p><u>Reduces Impact</u></p> <p>2. Annual review of corporate plan and Medium-Term Financial Strategy.</p>	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
						3. Creating an organisational architecture that can respond to changes in the environment.						
SR_002	Changes to the economic environment makes the council economically less sustainable.	<p>1. Economic development of the town suffers.</p> <p>2. Council objectives cannot be met.</p> <p>3. Inflation affecting council costs is having a serious impact on the council's finances</p> <p>4. The council's Recovery and Stabilisation programme fails to meet its objectives.</p> <p>5. 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><u>Reduces Likelihood</u></p> <p>3. The council is currently in ongoing discussions with central government around financial support to cover costs related to expenditure on response to the Covid-19 pandemic.</p> <p>4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme, including the recommendations of the Cipfa Assurance Review.</p>	Chief Finance Officer	5	5	25	Red	01-Nov-2022
SR_003	Unforeseen socio-economic and/or	1. Unsustainable demand on services.	5	5	25	<u>Reduces Likelihood and Impact</u>	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
	demographic shifts creating significant changes of demands and expectations.	2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.				1. Grounding significant corporate decisions based on up-to-date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme).						
SR_004	The employment market provides unsustainable employment base for the needs of the organisation.	Employment market unable to fulfil recruitment, and council unable to retain staff, resulting in a decline in performance standards and an increase in service costs.	4	4	16	<u>Reduces Likelihood</u> 1. Changes undertaken to increase non-financial attractiveness of the council to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. <u>Reduces Likelihood and Impact</u> 3. Pursuit of mutually beneficial shared service arrangements. 4. Maximising flexibility around recruitment and retention.	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_005	Not being able to sustain a culture that supports organisational objectives and future development.	<ol style="list-style-type: none"> 1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure. 6. Increased possibility of fraud. 7. 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"> 1. 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"> 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff. 4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme. 	Asst Director for HR and Transformation	3	4	12	Amber	01-Nov-2022
SR_006	Council prevented from delivering services for a prolonged period of time.	<ol style="list-style-type: none"> 1. Denial of access to property. 2. Denial of access to technology/ information. 3. Denial of access to people. 	4	5	20	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> 1. 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"> 2. The council has created a more flexible, less locationally 	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>dependent, service architecture.</p> <p><u>Reduces Impact</u></p> <p>3. Regularly reviewed and tested Business Continuity Plans and updated contingency plans actioned.</p> <p>4. Regularly reviewed and tested Disaster Recovery Plan.</p>						
SR_007	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act.	<p>1. Service profile of the council changes materially as a result of the impact of the event.</p> <p>2. Cost profile of the council changes materially as a result of the impact of the event.</p> <p>3. Work adversely affected by reduced staff numbers due to effects of pandemic virus.</p> <p>4. Emergency caused by a climate change event (e.g. increased flooding risks)</p>	5	5	25	<p>1. Working in partnership with other public bodies.</p> <p>2. Robust emergency planning and use of council's emergency powers.</p> <p>3. Working with the Environment Agency on climate change measures.</p> <p><u>Reduces Impact</u></p> <p>4. Ongoing and robust risk profiling of local area (demographic and geographic).</p> <p>5. Review budget and reserves in light of risk profile.</p> <p>6. Funds set aside to help fund responses to an event.</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
						<u>Reduces Likelihood</u> 7. Adoption of, and action to implement, the council's Climate Emergency Strategy.						
SR_008	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
						<u>Reduces Likelihood and Impact</u> 5. Building relationships with regulatory bodies. 6. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.						
SR_009	Commercial enterprises and investments do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area. 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	5	5	25	<u>Reduces Likelihood</u> 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Up-, or re-, skill staff to maximise commercial opportunities. <u>Reduces Likelihood and Impact</u> 3. Ensure that projects meet core principles. 4. Ensure governance processes are set up and adhered to.	Director of Regeneration and Planning And Chief Executive	4	3	12	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
						5. Regular monitoring of the progress of enterprises in parallel with the (cross-party) Strategic Property Board and wider governance arrangements.						
SR_010	The council suffers a personal data breach by inadequate handling of data or by an IT incident.	<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> <p>4. Increased probability of compensation claims by persons affected by a personal data breach.</p>	3	4	12	<p><u>Reduces Likelihood</u></p> <p>1. Ongoing corporate training for data protection.</p> <p>2. Ensure all staff complete the e-learning Data Protection course.</p> <p>3. Ensure that the Data Protection Policy is regularly reviewed.</p> <p>4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions.</p> <p>5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements.</p> <p>6. Ensure the suite of IT policies is kept up to date.</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
						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.						

This page is intentionally left blank