





Brighton & Hove
City Council

Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	27 March 2018
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	Committee Members: Miller (Chair), Robins (Group Spokesperson), Sykes (Group Spokesperson), Allen, Cobb, Greenbaum, Lewry, Morris, Independent Members Bushell (Non-Voting Co-Optee) and Horne (Non-Voting Co-Optee)
Contact:	John Peel Democratic Services Officer 01273 291058 john.peel@brighton-hove.gov.uk
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Democratic Services: Audit & Standards Committee

Lawyer	Executive Director	Councillor Miller <i>Chair</i>	Democratic Services Officer
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OFFICERS

Councillor Allen
Councillor Morris
Councillor Robins
Dr David Horne
Diane Bushell
Officers
Officers

Councillor Cobb
Councillor Lewry
Councillor Sykes
Councillor Greenbaum
Officers
Officers
Officers

Public Speaker	Public Speaker
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Press

Public Seating

Public Seating

AGENDA

PART ONE

Page

48 PROCEDURAL BUSINESS

- (a) **Declaration of Substitutes:** Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.
- (b) **Declarations of Interest:**
- (a) Disclosable pecuniary interests;
 - (b) Any other interests required to be registered under the local code;
 - (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare

- (i) the item on the agenda the interest relates to;
- (ii) the nature of the interest; and
- (iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

- (c) **Exclusion of Press and Public:** To consider whether, in view of the nature of the business to be transacted, or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

NOTE: *Any item appearing in Part Two of the Agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the public.*

A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls.

49 MINUTES & ACTION LOG

1 - 12

To consider the minutes of the meeting held on 8 January 2018

50 CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

51 CALL OVER

- (a) Items 54 - 60 will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

52 PUBLIC INVOLVEMENT

To consider the following matters raised by members of the public:

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 21 March 2018;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 21 March 2018.

53 MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

- (a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;
- (b) **Written Questions:** to consider any written questions;
- (c) **Letters:** to consider any letters;
- (d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

54 STRATEGIC RISK FOCUS: SR15 NOT KEEPING CHILDREN SAFE; SR31 GREATER LIABILITY ON THE COUNCIL'S BUDGET DUE TO BUDGETARY PRESSURES ON SCHOOLS; SR24 THE IMPACT OF WELFARE REFORM INCREASES NEED AND DEMAND FOR SERVICES; AND SR29 INEFFECTIVE CONTRACT MANAGEMENT LEADS TO SUB-OPTIMAL SERVICE OUTCOME 13 - 58

Report of the Executive Lead Officer, Strategy, Governance & Law

Contact Officer: Jackie Algar

Tel: 01273 291273

Ward Affected: All Wards

55 HOUSING ELECTRICAL WORKS 59 - 62

Report of the Executive Director, Neighbourhoods, Communities & Housing

Contact Officer: Larissa Reed

Ward Affected: All Wards

AUDIT & STANDARDS COMMITTEE

- 56 ERNST & YOUNG: EXTERNAL AUDIT PROGRESS REPORT** **63 - 74**
Report of Ernst & Young
- 57 INTERNAL AUDIT PROGRESS REPORT** **75 - 86**
Report of the Executive Director, Finance & Resources
Contact Officer: Mark Dallen Tel: 01273 291314
Ward Affected: All Wards
- 58 INTERNAL AUDIT AND CORPORATE FRAUD PLAN AND STRATEGY - 2018/19** **87 - 114**
Report of the Executive Director, Finance & Resources
Contact Officer: Mark Dallen Tel: 01273 291314
Ward Affected: All Wards
- 59 DATA PROTECTION OFFICER DESIGNATION** **115 - 120**
Report of the Head of Law and Monitoring Officer
Contact Officer: Abraham Ghebre-Ghiorghis Tel: 01273 291500
Ward Affected: All Wards
- 60 STANDARDS UPDATE** **121 - 124**
Report of the Head of Law and Monitoring Officer
Contact Officer: Abraham Ghebre-Ghiorghis Tel: 01273 291500
Ward Affected: All Wards
- 61 ITEMS REFERRED FOR COUNCIL**
To consider items to be submitted to the 19 April 2018 Council meeting for information.

In accordance with Procedure Rule 24.3a, the Committee may determine that any item is to be included in its report to Council. In addition, any Group may specify one further item to be included by notifying the Chief Executive no later than 10am on the eighth working day before the Council meeting at which the report is to be made, or if the Committee meeting take place after this deadline, immediately at the conclusion of the Committee meeting
- 62 ITEMS FOR THE NEXT MEETING**

AUDIT & STANDARDS COMMITTEE

PART TWO

63 HOUSING ELECTRICAL WORKS (EXEMPT CATEGORY 3 & CATEGORY 5) 125 - 140

Confidential appendix to Item 55 on the agenda. Report of the Executive Director, Neighbourhoods, Communities & Housing (circulated to Members only).

Contact Officer: Larissa Reed

Ward Affected: All Wards

64 PART TWO PROCEEDINGS

To consider whether the items listed in Part Two of the agenda and decisions thereon should remain exempt from disclosure to the press and public.

AUDIT & STANDARDS COMMITTEE

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

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Date of Publication - Monday, 19 March 2018

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 9 JANUARY 2018

COUNCIL CHAMBER, HOVE TOWN HALL, BN3 3BQ

MINUTES

Present: Councillors; Miller (Chair) Robins (Group Spokesperson), Sykes (Group Spokesperson), Allen, Cobb and Greenbaum, Cattell and Simson

Other Members present: Diane Bushell and Dr David Horne

PART ONE

32 PROCEDURAL BUSINESS

32a Declarations of substitutes

32.1 Councillor Cattell declared that she was in attendance as a substitute for Councillor Morris. Councillor Simson declared that she was in attendance as a substitute for Councillor Lewry.

32b Declarations of interests

32.2 There were none

32c Exclusion of the press and public

32.3 There were no part two items.

33 MINUTES & COMMITTEE ACTION LOG

33.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 19 September 2017 as a correct record.

34 CHAIR'S COMMUNICATIONS

34.1 The Chair apologised for the lateness of the reports from the external auditors and the report on housing electrical works. The Chair stated that he felt it was in the public interest to bring these items into the public domain despite members of the public not being able to engage fully with them due to their lateness.

34.2 The Chair stated that he had sought assurances from Ernst & Young that future reports would be produced on time.

35 CALL OVER

35.1 The following items on the agenda were reserved for discussion:

- Item 38 Corporate Risk Assurance Framework (CRAF) 2017-18
- Item 39 Strategic Risk Focus: SR30 Place Based Leadership; SR23 Seafront Investment; SR21 Housing Pressures; and SR26 Council Relationship With Citizens
- Item 40 Housing Electrical Works
- Item 41 2017/18 Audit Plan
- Item 43 Internal Audit And Corporate Fraud Progress Report

35.2 The Democratic Services Officer confirmed that the items listed above had been reserved for discussion and that the following reports on the agenda with the recommendations therein had been approved and adopted:

- Item 42 2016/17 Annual Certification Report
- Item 44 Annual Surveillance Report
- Item 45 Standards Update

36 PUBLIC INVOLVEMENT

36.1 There was none

37 MEMBER INVOLVEMENT

37.1 There was none

38 CORPORATE RISK ASSURANCE FRAMEWORK (CRAF) 2017-18

38.1 Officers introduced the second annual report on the Corporate Risk Assurance Framework and highlighted the three lines of defence model shown in the report. The Executive Leadership Team had reviewed the Strategic Risk Register on 22 November 2017 and made no changes.

38.2 Ms Bushell asked the officers to clarify why the revised impact and likelihood risk ratings were higher than the initial risk ratings for Strategic Risks SR17 and SR24 after the controls had been put in place. She also asked officers to explain how the CRAF RAG ratings are reached.

38.3 Officers responded that they would not have expected this to be case and they would need to speak to the risk owners and review this. The CRAF RAG ratings and the Risk Ratings are based on different criteria and do not assess the same things. The CRAF RAG ratings are based on policies.

38.4 Ms Bushell welcomed the inclusion of lead members in the report and asked officers what their role would be.

- 38.5 Officers stated that lead members have spheres of influence as chairs of committees. The lead member would have a role in developing policy and in determining the agenda for committee meetings.
- 38.6 In response to Councillor Robins' concerns, Officers stated that future versions of the table would be reformatted to make it clear that the Lead Member was not responsible for causing the risk.
- 38.7 In response to Councillor Allen, Officers clarified that the RAG rating for a policy as a whole was independent from the ratings for individual components of the policy.
- 38.8 Officers responded to Councillor Allen that initial risk ratings in the Risk Register were based on a scenario with no existing controls in place; and the second rating, the revised risk score, took into account the listed existing controls which were intended to manage the risk. The initial risk score rating was therefore expected to be higher and the revised risk score to be lower.
- 38.9 Councillor Sykes thanked the resident who had written to several committee members about the language of audit reports and the Corporate Risk Assurance Framework in particular and stated that officers needed to seek to make reports understandable for the lay person.
- 38.10 Responding to Dr Horne's suggestion that contract management could be a worthwhile area for a deep dive, Officers stated that it was an issue across the organisation and the further scrutiny this would be beneficial.
- 38.11 **Resolved:**
- 1) Noted the Internal Audit opinion of assurance levels on the third line of defence within the CRAF at Appendix 1 and agree for Internal Audit to update these where other sources of assurance have been identified by Risk Owners in the Strategic and Directorate Risk Registers in advance of finalising the Annual Governance Statement for 2017-18
 - 2) Noted the full Strategic Risk Register Report at Appendix 2
 - 3) Noted the full Directorate Risk Register Report at Appendix 3

39 STRATEGIC RISK FOCUS: SR30 PLACE BASED LEADERSHIP; SR23 SEAFRONT INVESTMENT; SR21 HOUSING PRESSURES; AND SR26 COUNCIL RELATIONSHIP WITH CITIZENS

SR30 Place Based Leadership

- 39.1 The Chief Executive introduced SR30. The need to articulate better political leadership within the city and wider region had been identified in the Local Government Association (LGA) peer review especially relating to health and social care integration and devolution.

- 39.2 Ms Bushell asked that where outside bodies were mentioned in reports a description of how they provide assurance was also included. A list of organisations was included in the paperwork without any description of controls.
- 39.3 Councillor Sykes noted that although SR30 was a new risk the controls were largely already in place. He asked if there was any specific work that was being done or any that could be done.
- 39.4 The Executive Director, Economy, Environment & Culture responded that work was being done through the Greater Brighton Economic Board to look at supporting the city's economy through Brexit.
- 39.5 In response to the Chair the Chief Executive stated that success at mitigating SR30 could be measured by the relationship between the Council and partner organisations as well as central government as seen through feedback to Councillors and officers.

SR23 Seafront Investment

- 39.6 The Executive Director, Economy, Environment and Culture stated that the seafront was a key asset for the city but there were heritage structures that would require significant investment. SR23 tracked the progress of investment in the seafront and ensured that there was an effective strategy in place. There had been significant recent investment in the seafront especially around the i360 and the Volks Railway.
- 39.7 Councillor Sykes asked if the Council could apply for grants from the £4 million community fund launched by Rampion Offshore Wind Farm.
- 39.8 The Executive Director, Economy, Environment and Culture responded that he believed that the fund was for community groups but he would investigate further.

SR21 Housing Pressures

- 39.9 The Executive Director, Economy, Environment and Culture stated that there continued to be an issue of demand for housing, and that this was out-stripping supply. The report outlined work across the organisation including; the New Homes for Neighbourhoods scheme, the joint venture with Hyde Housing, steps being taken to encourage the development of affordable housing and the completion of the Brooke Mead Extra Care Housing.
- 39.10 In response to Councillor Simson the Executive Director, Economy, Environment and Culture stated that hidden homelessness was by its nature difficult to measure. It could be seen in overcrowded conditions and two households living together.
- 39.11 The Chief Executive responded to Councillor Sykes that work around the regulation of the private rented market and supporting private tenants was something that could be expanded on in future reports and more information could be provided after the meeting.
- 39.12 Ms Bushell asked what percentage of development actually achieved the target of 40% affordable housing, if viability assessments were made publicly available and whether the council challenged these assessments.

- 39.13 The Executive Director, Economy, Environment and Culture responded that he did not have a specific figure to hand but that there was a significant number where viability implications meant the 40% affordable homes target was not met. Viability assessments were challenged through the district valuer or independent valuer. There was a report being considered by the Tourism, Development and Culture committee on 10/01/2018 which recommended a move to open book planning applications, a policy adopted by most London boroughs.
- 39.14 In response to the Chair the Executive Director, Economy, Environment and Culture stated that the government had launched its Industrial Strategy White Paper which signalled increased powers for localities to establish housing deals with government around unlocking or accelerating housing delivery. The Greater Brighton Economic Board would be considering reports on this matter in February and April 2018.

SR26 Council Relationship with Citizens

- 39.15 The Chief Executive stated that SR26 had received a new focus with the creation of the new Neighbourhoods, Communities & Housing Directorate. There were new initiatives such as the new Field Officer role, supporting members with ward budgets, and strengthening member support. The council was looking to work with General Practitioner (GP) clusters as part of health and social integration. Tackling antisocial behaviour in the city needed to be a priority.
- 39.16 Councillor Sykes stated that he understood the motivation behind pursuing higher rates of cost recovery, but cautioned that a more hardnosed approach could threaten the viability of community groups and damage relationships with residents.
- 39.17 Dr Horne noted that the CRAF report showed a low completion rate for actions designed to build social capital and local leadership.
- 39.18 The Chief Executive responded that the Directorate and its new Executive Director had only been in place for around a year and there had been a significant review and reorganisation of teams within the Directorate.
- 39.19 Councillors Robins stated that the focus of community groups had moved away from meetings to online groups through social media and that particularly antisocial behaviour was not necessarily being reported to Local Action Teams.
- 39.20 The Chief Executive agreed that the council needed a greater presence on social media and to move to where residents were. The Digital First team would help improve online access.
- 39.21 **Resolved:**
- 1) That the Audit & Standards Committee noted the CRAF report Appendix 2 for details of SR30; SR23; SR21 and SR26.
 - 2) That, having considered Appendix 2 of the CRAF report and any clarification and/or comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body.

- 3) That the Committee note that (as detailed in paragraph 3.3) there have been no changes to the council's Strategic Risk Register.

40 HOUSING ELECTRICAL WORKS

- 40.1 The Executive Director, Finance and Resources introduced the report. Internal audit had identified issues with housing electrical works, and had requested further work to ensure that there were no health and safety or charging issues.
- 40.2 Councillor Simson stated that she was concerned about the potential issues around housing electrical works and asked why the report was so late to the meeting.
- 40.3 The Executive Director, Finance and Resources responded that the investigation had been a complex task and the contract was subject to differences in interpretation between the council and Mears.
- 40.4 In response to Ms Bushell, the Executive Director, Finance & Resources stated that in hindsight the contract could have been drawn up differently to avoid ambiguities. However this was difficult as it was a large contract with a wide scope.
- 40.5 The Chair stated that it was disappointing that no housing officers had attended to present the report to the committee and that after 18 months of investigation there seemed to be little progress. He stated that it would be in the public interest to have a further report outlining steps to resolve the matter brought by officers from both the housing and internal audit teams. Serious consideration ought to be given to sourcing an independent report.
- 40.6 Councillor Cobb proposed the following amendment:

"To add the new recommendation as shown in bold italics:

2) That officers are requested to bring a report to the next meeting providing further detail and information on the matter."

- 40.7 Councillor Sykes seconded the amendment.
- 40.8 The amendment and the amended recommendations were agreed unanimously by the committee.
- 40.9 **Resolved:**
- 1) That Audit & Standards Committee note the contents of the report.
- 2) That officers were requested to bring a report to the next meeting providing further detail and information on the matter

41 2017/18 AUDIT PLAN

- 41.1 Paul King introduced the report of Ernst & Young. He stated the audit plan identified two significant risks; management override and valuation of land and buildings. Overall materiality was set at 2% of the council's gross expenditure, £16.93 million. Uncorrected differences would be reported at £0.84 million. There was one significant risk identified for the value for money conclusion which was the challenge for the council to secure its finance over the short to medium term. A change in regulations meant that accounts would have to be audited and published by the end of July from 2018.
- 41.2 Councillor Cobb stated that she was disappointed that there was no change or action from last year's plan and asked what impact the change in retirement age would have on pension costs.
- 41.3 Paul King responded that management override was included as standard in audit plans and was not a reflection of particular concerns in Brighton & Hove City Council. Land and building valuations was included based on concerns raised over the last two years. Local Government Pension Schemes are regularly valued and reviewed and changes are made to contribution rates. All of the factors which impact the pensions would be taken into account when the schemes were valued.
- 41.4 Councillor Simson asked how risks were identified and why areas such as contract management or IT support were not considered.
- 41.5 Mr King responded that some areas were included because of experience with past audits, and some were included on all audit plans as standard. Contract management or the performance of IT may be considered in the value for money conclusion.
- 41.6 In response to Councillor Sykes, Mr King stated that 5% was a standard level of materiality for audit planning purposes.
- 41.7 In response to Councillor Sykes, Mr King stated that the audit of Lender Option Borrower Option contracts was still under consideration.
- 41.8 Councillor Allen asked why pensions were being included in the audit plan.
- 41.9 Mr King responded that the size of the council's liability was around £225 million and that this figure included a lot of estimation meant it represented a significant risk. This liability would not be affected by being a relatively minor contributor to the pension fund as a whole.
- 41.10 The Chair asked if the council was prepared for the July deadline for auditing and publishing accounts.
- 41.11 The Executive Director, Finance and Resources responded that the July deadline would be a challenge with diminished back office staff. Working with colleagues across Orbis should increase capacity in the future.
- 41.12 **Resolved:**
- 1) The Audit & Standards Committee noted the contents of the report.

42 2016/17 ANNUAL CERTIFICATION REPORT**42.1 Resolved that the Audit & Standards Committee:**

- 1) Noted the 2016/17 Certification Report.

43 INTERNAL AUDIT AND CORPORATE FRAUD PROGRESS REPORT

- 43.1 The Principal Audit Manager introduced the report and highlighted changes in the audit plan: ICT disaster recovery and Able and Willing had been added and Housing Allocation had been removed. One minimal assurance report had been received on City Clean and four partial assurance reports had been produced since the last update. There were 8 high priority audits scheduled.
- 43.2 Officers also updated the committee on the audit of parking permits. An online parking permit system was procured in autumn 2016. It was hoped this new system would help identify fraud. There were however teething issues with the system. Further issues with the customer-facing side of the system had now been resolved but the back office issues remained.
- 43.3 Councillor Simson expressed concern that Housing Allocation had been taken off the audit plan as new arrangements had just been introduced, and these had caused a lot of disquiet among residents.
- 43.4 Officers responded that an audit would be carried out in the first quarter of the financial year 2018/19.
- 43.5 In response to Dr Horne, officers responded that an audit of parking permits estimated £180,000 of potential fraud. Some of the issues with fraud would not be able to be resolved until a new system was in place.
- 43.6 Councillor Sykes asked if officers could expand upon the financial risk to the council of the areas which had been audited.
- 43.7 Officers responded that council tax was audited every year and there were potential challenges around collection. Residential care for the elderly also carried a large potential financial risk as costs were dependent on where the placement was. City Clean was also operating a commercial waste service which only had partial approval from Policy, Resources and Growth Committee, an oversight arising from demand increasing at a faster than anticipated rate. The proposal for an improvement programme which included the commercial waste service was due to be taken to Policy, Resources and Growth committee after the budget process.
- 43.8 Officers responded to Councillor Simson that the Audit Plan was set by officers and then agreed and amended at committee. There was a responsibility to review and change the plan in response to new and emerging risks.
- 43.9 **Resolved:**

- 1) That the Audit & Standards Committee noted the report and considers any further action required in response to the issues raised.

44 ANNUAL SURVEILLANCE REPORT

44.1 Resolved:

- 1) That the continued use of covert surveillance was approved as an enforcement tool to prevent and detect crime and disorder investigated by its officers, providing the activity is in line with the Council's Policy and Guidance and the necessity and proportionality rules are stringently applied.
- 2) That the surveillance activity undertaken by the authority since the report to Committee in November 2016 as set out in paragraph 3.3 was noted.
- 3) That the continued use of the Policy and Guidance document as set out in Appendix 2 was approved.

45 STANDARDS UPDATE

45.1 Resolved:

- 1) That the Committee noted the information provided in the Report on member complaints and on standards-related matters.

46 ITEMS REFERRED FOR COUNCIL

- 46.1 No items were referred to Full Council for information.

47 ITEMS FOR THE NEXT MEETING

- 47.1 As per the amended recommendations at paragraph 40.9

The meeting concluded at 6.15pm

Signed

Chair

Dated this

day of

Action Log: A&S Meeting 9 January 2018

Agenda Item		Owner	Actions	Status
33	Minutes	Victoria Simson	Circulate the revised terms of reference	Completed
28	Strategic Risk Focus: SR30 Place Based Leadership; SR23 Seafront Investment; SR21 Housing Pressures; and SR26 Council Relationship with Citizens	Mark Dallen	It was agreed that contact management would be the subject of a deep dive	Completed
29	Strategic Risk Focus: SR30 Place Based Leadership	Jackie Algar/ELT	It was agreed to provide further information on how partner the organisations listed in the first, second and third lines of defence and their roles provide assurance in further SRF reports on SR30	Completed
30	Strategic Risk Focus: SR21 Housing Pressures	Jackie Algar/ELT	It was agreed to provide more information about ongoing work around the private rented sector	Completed
31	Housing Electrical Works	Tracy John/David Kuenssberg	To bring a further report to the next meeting	Deadline: 27 March 2018
34	Corporate Risk Assurance Framework (CRAF) 2017-18	Jackie Algar	Jackie Algar agreed to discuss with relevant risk owners why the revised risk ratings are higher than the initial risk ratings.	Completed

Agenda Item		Owner	Actions	Status
35	Corporate Risk Assurance Framework (CRAF) 2017-18	Jackie Algar	Jackie Algar agreed to review the layout of the Strategic Risk Register table	Completed
36	SR21 Housing Pressures	Nick Hibberd	The Executive Director, Economy, Environment and Culture to provide a specific figure about the percentage of development achieving the 40% target.	ongoing

Subject:	Strategic Risk Focus: SR15 Not keeping Children Safe; SR31 Greater liability on the council's budget due to budgetary pressures on schools; SR24 The impact of Welfare Reform increases need and demand for services; and SR29 Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage.	
Date of Meeting:	27 March 2018	
Report of:	Executive Lead Officer, Strategy Governance & Law	
Contact Officer: Name:	Jackie Algar	Tel: 01273 291273
Email:	Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role the Committee focuses on at least two Strategic Risks at each of their meetings.
- 1.2 This report also provides the Committee with details of the changes to the city council's Strategic Risk Register (SRR) following the last quarterly review undertaken by the Executive Leadership Team (ELT) on 07 February 2018.
- 1.3 The Strategic Risk Focus is based on detail provided in Appendix 1 of this report which records the actions taken (existing controls) and future actions to manage these strategic risks.
- 1.4 The officers available to answer Members' questions on the Strategic Risk SR15 and SR31 will be Pinaki Ghoshal, Executive Director, Families, Children & Learning; and for SR24 and SR29, David Kuennsberg, Executive Director Finance & Resources.

2. RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee notes Appendix 1 for details of SR15; SR31; SR24; and SR29.
- 2.2 That, having considered Appendix 1 and any clarification and/or comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body.

- 2.3 That the Committee note (as detailed in paragraph 3.3) the changes to the council's SRR.

3. CONTEXT/ BACKGROUND INFORMATION





- 3.1 The SRR details the current prioritised risks which may affect the achievement of the council's Corporate Plan purpose, including in relation to its work with other organisations across the city. It is reviewed and agreed by ELT quarterly, and influences service activity within Directorates and Directorates' individual Directorate Risk Registers.
- 3.2 Across the council there are a number of risk registers which prioritise risks consistently by assigning risk scores 1-5 to the likelihood of the risk occurring, and the potential impact (denoted by 'I') if it should occur. These L and I scores are multiplied; the higher the result of L x I, the greater the risk e.g.L4xI4 which denotes a Likelihood score of 4 (Likely) x Impact score of 4 (Major). A colour coded system, similar to the traffic light system, is used to distinguish risks that require intervention. Red risks are the highest, followed by Amber risks and then Yellow, and then Green. The Strategic Risk Register records Red and Amber risks. Each strategic risk has a unique identifying number and is prefixed by 'SR' representing that it is a strategic risk.
- 3.3 The main changes agreed to the city council's SRR as a result of the ELT review on 7 February 2018 were:
- 1) SR30 change of risk title from 'Failure to demonstrate Place Based Leadership, unable to promote the City-Region's business economy, employment & training opportunities; a poor reputation in delivering value for money for the business rate payer' to 'Not fulfilling the expectations of residents, business, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment'. The revised risk score was reduced by ELT from Likelihood 3 (Possible) x Impact 4 (Major) to a Likelihood 3 (Possible) x Impact 3 (Moderate) which is due to the work that has been undertaken.
 - 2) addition of new Strategic Risk SR33 'Not providing adequate housing and support for people with significant and complex needs' owned by Executive Director, Health and Adult Social Care.
 - 3) SR21 change of risk title from 'Unable to manage housing pressures and deliver new housing supply' to 'Unable to meet new statutory responsibilities in relation to housing supply and allocation'. This is to enable a new SR33 above in relation to providing specialist housing for people with significant and complex health needs.
 - 4) reduction in risk score of SR31 'Greater liability on the council's budget due to budgetary pressures on schools' from a revised risk score of Likelihood 4 (Likely) to Impact 4 (Major) to a lower revised risk score of Likelihood 3 (Possible) x Impact 4 (Major). This is due to:
















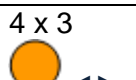


- a. regular monitoring of school budgets it has identified that some schools have achieved greater than anticipated in year savings;
 - b. schools have responded to support and challenge;
 - c. primary and special schools have benefitted from the favourable terms of the current school meals contract;
 - d. recent allocations of school grant funding has improved the budget position of some schools;
 - e. officers continue to target support and challenge to schools most in need.
- 4) removal from the SRR of SR17 'Ineffective school place planning'. Instead it will be added to the Families, Children & Learning directorate risk register to focus on the emerging trend of reduced pupil numbers in the city and to consider the impacts of the child 'product' of new housing projects causing potential future fluctuations.











Reasons why the risk level has changed from a strategic risk to a directorate risk include:

- a) consideration of recent data analysis which shows a dip in pupil numbers between October 2016 and October 2017 reducing the pressure for additional places;
- b) agreement with existing secondary schools to make temporary or permanent increase in their size to accommodate additional places;
- c) capital funding set aside for the provision of secondary school places;
- d) Families, Children & Learning directorate engagement with the Department for Education and the University of Brighton Academies Trust in relation to whether a new school will open, thereby managing a potential excess of places.

3.4 The current Strategic Risk Register after ELT review 7 February 2018 is shown in table 1 below:

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I) & Direction of Travel	Lead Member	Risk Owner
SR33	Not providing adequate housing and support for people with significant and complex needs	5 x 4  NEW	4 x 4  NEW	Karen Barford	Executive Director, Health & Adult Social Care
SR31	Greater liability on the council's budget due to budgetary pressures on schools	4 x 4  ◀▶	3 x 4  ▼	Dan Chapman	Executive Director, Families, Children & Learning

SR2	Council is not financially sustainable	5 x 4 	3 x 4 	Les Hamilton	Executive Director, Finance & Resources
SR10	Information governance failures leading to financial losses and reputational damage	4 x 4 	3 x 4 	Les Hamilton	Executive Director, Finance & Resources
SR13	Not keeping Vulnerable Adults Safe from harm and abuse	4 x 4 	3 x 4 	Karen Barford	Executive Director, Health & Adult Social Care
SR15	Not keeping Children Safe from harm and abuse	4 x 4 	3 x 4 	Dan Chapman	Executive Director, Families, Children & Learning
SR20	Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions	4 x 4 	3 x 4 	Karen Barford	Executive Director, Health & Adult Social Care
SR21	Unable to meet new statutory responsibilities in relation to housing supply and allocation	4 x 4 	3 x 4 	Anne Meadows	Executive Director, Neighbourhoods, Communities & Housing
SR30	Not fulfilling the expectations of residents, business, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment	3 x 4 	3 x 3 	Warren Morgan	Chief Executive
SR24	The impact of Welfare Reform increases need and demand for services	4 x 4  Note this score was 3 x 4 but the Risk Owner has acted on the recommendations of the Committee and increased the risk score to Likelihood 4 x Impact 4	4 x 3 	Les Hamilton	Executive Director, Finance & Resources
SR23	Unable to develop an effective Investment Strategy for the Seafront	5 x 4 	3 x 3 	Alan Robins	Executive Director, Economy, Environment & Culture

SR25	The lack of organisational capacity leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 4 	3 x 3 	Les Hamilton	Executive Director, Finance & Resources
SR26	Not strengthening the council's relationship with citizens	3 x 4 	3 x 3 	Emma Daniel	Executive Director, Neighbourhoods, Communities & Housing
SR32	Sub-standard health & safety measures lead to personal injury of staff or residents, financial losses and reputational damage	3 x 5 	2 x 5 	Les Hamilton	Executive Director, Finance & Resources
SR18	Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles	3 x 4 	2 x 4 	Les Hamilton	Executive Director, Finance & Resources
SR29	Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 4 	2 x 4 	Les Hamilton	Executive Director, Finance & Resources

3.5 ELT and the relevant Risk Owners noted the comments made at the Audit & Standards Committee that:

- a) initial and revised risk scores should not be the same;
- b) the revised risk score should not be higher than the initial risk score (see changes to table 1 above in respect of SR24);
- c) there should be a review of the wording, and more details provided of specific work that was being done to address SR30 'Failure to demonstrate Place Based Leadership, unable to promote the City-Region's business economy, employment and training opportunities; a poor reputation in delivery value for money for the business rate payer'. The risk has been reviewed and the risk title has been changed as in table 1 above and work is in progress to add details of more specific action.

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 4.1 For each Strategic Risk there is detail of the actions already in place ('Existing Controls') or work to be done as part of business or project plans ('Risk Actions') to address the strategic risk. Potentially these may have significant financial implications for the authority either directly or indirectly. The associated financial risks are considered during the Targeted Budget Management process and the development of the Medium Term Financial Strategy.

Finance Officer Consulted: James Hengeveld

Date: 14/02/2018

Legal Implications:

- 4.2 Members of the Committee are entitled to any information, data and other evidence which enables them to reach an informed view regarding to whether the council's strategic risks are being adequately managed. The Committee may make recommendations based on its conclusions.

Lawyer Consulted: Victoria Simpson

Date: 28/02/2018

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1 – Strategic Risk Focus report SR15, SR31, SR24 and SR29.

Documents in Members' Rooms

1. None.

Background Documents

1. Strategic Risk Register as reviewed by the Executive Leadership Team on 7 February 2018

Brighton & Hove City Council

Appendix 1 Strategic Risk Focus

SR15

SR31

SR24

SR29

Audit & Standards Committee 27 March 2018

Print Date: 14-Mar-2018

Initial Rating

LIKELIHOOD	IMPACT				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	0	0
Likely (4)	0	0	0	3	0
Possible (3)	0	0	0	1	0
Unlikely (2)	0	0	0	0	0
Almost Impossible (1)	0	0	0	0	0

Revised Rating

LIKELIHOOD	IMPACT				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	0	0
Likely (4)	0	0	1	0	0
Possible (3)	0	0	0	2	0
Unlikely (2)	0	0	0	1	0
Almost Impossible (1)	0	0	0	0	0

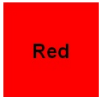

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1 - 3
Low
Monitor periodically

4 - 7
Moderate
Monitor if the risk levels increase

8 - 14
Significant
Review and ensure effective controls

15 - 25
High
Immediate action required & need to escalate to the management level above

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR15	Not keeping children safe from harm and abuse	Executive Director Families, Children & Learning Service Manager - Directorate Policy & Business Support Assistant Director - Children's Health, Safeguarding & Care	BHCC Strategic Risk, Legislative	07/02/18	Threat	Treat	 L4 x I4	 L3 x I4		Revised: Adequate

Causes

Link to Corporate Plan: Priority Children & Young People: Safeguard children and young people and reduce the rate of re-referral
 Keeping vulnerable children safe from harm and abuse is a legal responsibility of the Council. Legislation requires all local authorities to act in accordance with national guidance (Working Together) to ensure robust safeguarding practice. This includes the responsibility to ensure an effective Local Safeguarding Children Board (LSCB) which oversees work locally and in partnership with Police, Health and social care providers. The numbers of children in care and those on Child Protection Plans are significantly higher than in similar authorities. The number of children and young people (CYP) who are sexually exploited is also of concern.

Potential Consequence(s)

The complexity of circumstances for many children presents a constant state of risk which demands informed and reflective professional judgement, and often urgent and decisive action, by all agencies using agreed thresholds and procedures. Such complexity inevitably presents a high degree of risk. Children subject to abuse, exploitation and/or neglect are unlikely to achieve and maintain a satisfactory level of health or development, or their health and development will be significantly impaired. In some circumstances, abuse and neglect may lead to a child's death.

Existing Controls

First Line of Defence: Management Controls

1. Robust quality assurance processes embedded and reported on annually
2. Single access point ('Front Door for Families') for support and safeguarding issues relating to children operated from May 2017. The service is managed by one manager with responsibility for and oversight of both the Multi-Agency Safeguarding Hub (MASH) which launched from Sept 14 and early help referrals to provide robust risk assessments and information sharing between partner agencies.
3. LSCB Work Plan established with strong leadership by the Independent Chair with aligned LSCB sub-group work plans
4. Serious Case, Local Management and Child Death Reviews identify learning and action for improvement
5. The directorate has full engagement with the LSCB
6. There is a strong focus on working with CYP at risk of being missing from care, home and education
7. The local Troubled Families programme targets support to the most vulnerable families
8. Continuous professional development and training opportunities offered by the LSCB and good multi agency take up of training
9. In line with the Government's Prevent Strategy, work with the Police, Statutory Partners, Third Sector Organisations and Communities to reduce radicalisation
10. Threshold document, agreed by all agencies and reviewed regularly
11. Relationship based model of practice operating from Oct 2015 for social work teams, with Pods in place to provide stability to service users
13. Performance management across children's social work enables a more informed view on current activity and planning for future service changes;



Second Line of Defence: Corporate Oversight

1. Early Help system redesigned in 2017 and new structure in place
2. Quality Assurance within the city and also across key agencies monitored by the LSCB sub group
3. The Child Review Board meets quarterly and is an opportunity for Lead Members to receive information, provide challenge and comments on children's social care issues with Heads of Service, Assistant Director and Director for Children's Services
4. Reports delivered to LSCB following robust auditing of multi-agency case files and safeguarding practice.

Third Line of Defence: Independent Assurance

1. Ofsted inspected our social work arrangements in May 2015 and an action plan was developed to take forward recommendations, recently completed and final sign off agreed at CYPS committee in November 2017.
2. LGA (Local Government Association) Peer Review on Safeguarding completed in September 2016 which provided assurance (and helpful challenge) regarding progress against the Ofsted inspection report. The review confirmed our ongoing actions were well directed and work continues to implement
3. University of Sussex have completed an evaluation in 2017 of the relationship based Model of Practice setting out assurance on how it is working and useful recommendations for future focus
4. Meeting held with Ofsted in December 2017 to review an updated self evaluation with positive feedback. Detailed planning now underway to ensure readiness for new Ofsted inspection framework coming in early in 2018. Their comments in December included "Overall, you are bucking the national trend by seeing a steady decline in demand for specialist children's services. You continue to test your thresholds by seeking feedback from your partners and through your quality assurance processes."

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
High quality social work is provided to ensure that Children & Young People (CYP) are effectively safeguarded	Head of Service - Safeguarding & Quality Assurance	75	31/03/18	01/04/16	31/03/18
<p>Comments: Quality assurance activity continues to indicate and assure us that most children and families continue to be provided with appropriate social work services, with 69% of Q2 audited cases demonstrating positive outcomes for the child. In 2017 we had an independent review of our relationship based model of practice, which reported positively on progress, found our practice to be good and agrees with our planned direction of travel. Data (in reduction in numbers in the social care system) is moving in a positive direction. We engage in regional peer review processes to check quality of our arrangements. Performance management information isn't highlighting any areas of particular concern. Our social work workforce has stabilised and we have no agency workers.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR31	Greater liability on the council's budget due to budgetary pressures on schools	Executive Director Families, Children & Learning Service Manager - Directorate Policy & Business Support Assistant Director Education & Skills	BHCC Strategic Risk	07/02/18	Threat	Treat	 L4 x 14	 L3 x 14		Revised: Adequate

Causes

Schools with Licensed Deficit agreements continuing into 2017/18 total £1.021m. These schools currently show a projected overspend of £0.938m, an improvement of £0.083m. Schools requiring new licensed deficits in 2017/18 total £1.143m. These schools currently show a projected overspend of £1.093m, an improvement of £0.050m. Other schools are overspending by £0.108m. This makes a total of projected deficits of £2.139m.

Early indications are that the level of schools' surpluses will fall from £2.895m at 31/03/17 to £1.800m at 31/03/18. This projection would result in an overall overspend on schools of approximately £0.339m (£2.139m - £1.800m) at 31/03/18, which would need to be met from General Fund reserves in the short term.

Potential Consequence(s)

*If the level of licensed deficits in 2017/8 is still required by schools which already have Licensed Deficit agreements continuing into 2017/18 then the council will not be able to license any new deficits under the current scheme

*Inequality between schools and impact on relationship between the majority of schools and the council

*Increased council support to assist schools to improve procurement options, work collaboratively and manage workforce better

*Stakeholder dissatisfaction due to changes in service location of provision

*External auditors may reduce their rating of the Council's ability to secure Value for Money

*If a school is unable to provide sustainable strategies in order to balance their budgets, Finance will have to apply tougher sanctions e.g. removal of a school's delegated financial powers

*If educational performance requires a school which has is already in deficit to transition to academy status, the DfE policy is that the council will fund the deficit from its core budget and recover the monies from the academy trust and the council will not receive monies until the DfE is satisfied that the amount is a true reflection of what is owed and both parties agree

*Schools may decide not to 'buy-back' services from existing council support services, reducing workforce.

Existing Controls

First line of Defence - Management Controls

1. Annual meeting between Executive Director FCL and Executive Director F&R where budgets are scrutinised and challenged by the Directors to minimise the level of deficits required and ensure best use of public money. The scheme for financing schools, currently allows 40% of the carry forward balance to be used for licensed deficit agreements.
2. School budget plans for 2017/18 were finalised on 9 June 17.
3. Schools' finance team monitor the budget position for each school.
4. Schools' finance team hold regular finance meetings with schools in licensed deficit and a process for schools causing financial concern was introduced in spring 2017.

Second Line of Defence - Corporate Oversight

1. For schools in deficit, a Strategy Board has been established with the prime focus upon the school's management of its budget.
 2. The position for schools will be reported to Families, Children and Learning Directorate Management Team (DMT) as part of the Targeted Budget Management (TBM) reporting process.
 3. Under the Scheme for Financing Schools, the Local Authority (LA) can issue a Notice of Concern where the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.
 4. Report to Policy Resources & Growth (PR&G) Committee on 13 July 2017.
 5. Executive Leadership Team (ELT) report 21/6/17 outlined issues re. Schools Balances, including recommendation to suspend the governing body's right to a delegated budget for reasons of financial mismanagement after giving the governing body notice of the suspension and if appropriate corrective action is not taken.
- * Department for Education (DfE) policy on deficit balance.
* Joint letter from Executive Directors of Families, Children & Learning and Finance & Resources sent to all schools highlighting the level of school deficits this year and the wider implications for Council's budget's, with a notice that no further deficit budgets could be licensed.

Third Line of Defence - Independent Assurance

Internal Audit has a year by year plan for audits at schools prioritised by those where financial risks are higher, a programme is in place to ensure that all schools in the city are on the audit programme over the next few years. 29 audits have already been completed. Where limited assurance has been given (in 4 cases) more targeted support is given to that school to help implement recommendations.

Secretary of State will decide upon any dispute concerning a deficit balance owed between an Academy Trust and the council Academy Trust.

Section 151 Officer provides a scrutiny process.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Continue to work closely with schools to ensure that they manage the risk of an increasing deficit in order to limit the potential cost to the LA's budget.	Assistant Director Education & Skills	50	31/07/18	26/06/17	31/07/18

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Schools are contacting the finance team for advice on this. We've identified schools that need more targeted support and will be writing to them. We continue to monitor school budget positions. School budgets positions are shared with school improvement colleagues to ensure holistic support is given.</p>					
<p>Inform Members of the impact of DfE's calculation of notional individual budgets for schools in 2018/19 which will change as it will take regard of the locally agreed formula as agreed with the Schools Forum.</p>	<p>Assistant Director Education & Skills</p>	<p>95</p>	<p>30/06/18</p>	<p>26/06/17</p>	<p>30/06/18</p>
<p>Comments: In January 2018 the Schools Forum agreed the formula that will be applied in Brighton & Hove, subject to Department for Education (DfE) approval, information has been shared with Members. At the end of January 18 the DfE agreed and signed off council's formula. Schools have received their indicative budgets for 18/19 academic year. Next we will work with schools to balance the 18/19 budget with the 17/18 year end position, Schools are expected to finalise their budgets in June 18. Members will be advised where there are pressures and gaps.</p>					
<p>Monitor and inform schools of the new national funding formula for schools</p>	<p>Assistant Director Education & Skills</p>	<p>100</p>	<p>28/02/18</p>	<p>26/06/17</p>	<p>28/02/18</p>
<p>Comments: A session was held in November 17 with Primary Schools representatives to explain school funding arrangements and implications of potential decisions taken by Schools Forum. After confirmation from the DfE that our schools' formula had been agreed and was signed off at the end of January 2018 it enabled the Schools Forum to agree the formula that will be applied in Brighton & Hove, and by mid February 2018 schools received their budget allocation for 18/19.</p>					
<p>Work with schools re. number of spare school places available in the city and the impact these have on school budgets.</p>	<p>Assistant Director Education & Skills</p>	<p>80</p>	<p>30/04/18</p>	<p>26/06/17</p>	<p>30/04/18</p>

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Admissions arrangements for 19/20 have been agreed by Children, Young People and Skills committee in January 2018. A reduction of 90 primary school places has been agreed. There will need to be further discussions with primary headteachers about addressing the continued surplus supply of places. Decisions have been taken to increase the places available in existing secondary schools and we await the decision of the Department for Education about the opening of the proposed new secondary school. A school organisation plan will be taken to the Children, Young People and Skills committee in Autumn 2018.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR24	The impact of Welfare Reform increases need and demand for services	Executive Director of Finance & Resources Welfare Reform Programme Manager	BHCC Strategic Risk	07/02/18	Threat	Treat	Amber L4 x I4	Amber L4 x I3		Revised: Uncertain

Causes

Introduction of Universal Credit during 2015/16 with extended roll out during 2016 and thereafter. Implications for staffing levels within services; rent collection; council tax collection, and pressures on social services and homeless services.

Additionally further to the July 2015 national budget a new programme of welfare reform commenced from April 2016. In Brighton and Hove the full Universal Credit rollout takes place between October 2017 and January 2018.

Potential Consequence(s)

Increased service pressures on housing and social services.

Decreased rent and Council Tax collection.

Existing Controls

First Line of Defence: Management Actions

1. A welfare reform team is in place to monitor welfare changes and to coordinate a corporate response to them
2. Ongoing meetings have been held with Department for Works Pensions (DWP) about change to Universal Credit. Budgeting and digital support has been commissioned from the third sector to support Universal Credit claimants. Full rollout has commenced from 4th October
3. Information is provided to inform housing and children's services colleagues re. changes to benefit cap policy and impact on funding of temporary accommodation. Analysis of impact of the changes to the benefit cap in 2016 has been done and strategy to minimise the impact of these changes has been in place from November 2016
4. Council Tax Reduction (CTR) policy options provided to members to give the option to partially mitigate impact of Tax Credit changes on local CTR costs as part of CTR yearly process. Reports will continue to be authored for committee and council and consultation undertaken as appropriate.
5. Provide caseworking support directly to customers most significantly affected by the changes (specifically the benefit cap)
6. Regular links maintained with advice and voluntary sector so impacts on citizens can be judged
7. Modelling of specific policies being undertaken to assess the impact on customers in terms of numbers and change
8. Feeding into other relevant council work streams, eg library service leading digital inclusion including for Universal Credit claimants, actions around the City Employment Support Plan and the communities prospectus from 2017
9. Detailed risk register for Welfare Reform reviewed quarterly and logged with Senior Responsible Officer .

Second Line of Defence Corporate Oversight:

Corporate oversight at cross service Universal Credit programme board and six monthly scheduled to Corporate Management Team.

Regular reports to Leadership Board.

Executive Leadership Team (ELT) Full Council, Policy, Resource & Growth (PRG) and the NICE Committee are all focused on this risk.

Third Line of Defence Independent Assurance:

Internal Audit - Audit has taken place over the end of 2017/beginning of 2018. Final report issued Feb 2018 Substantial Assurance.

Reason for Uncertainty of Effectiveness of Controls: It is not possible to project accurately the number of families who may require extra assistance from the council, either in terms of housing need or increased demand for other services. Previous experience suggests that some claimants find a way to close income gaps, but the position is not fully understood.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Benefit cap - casework support programme to support people affected by the benefit cap	Welfare Reform Programme Manager	75	31/03/19	01/06/15	31/03/19

Comments: updates prior to January 17 archived

January 2017

A Job Centre Plus work coach has been embedded with the Benefit Cap team for a period of six months.

Existing benefit cap cases had the new amount of cap applied from 7th November, new cases were notified to the council in January and the deductions are being applied to their Housing Benefit claim. So far approximately 450 cases have the cap applied which is lower than the DWP estimate of 680 cases however the value of the cap per cases is greater. The DWP have indicated they are still checking the details of some cases which may be potentially capped so we may be notified of more capped cases over time. The benefit cap team are working with the customers affected by the cap as expected.

April 17 - Discretionary Housing Payment funding for 17/18 has been confirmed by government and set at £1.13m. This is an increase of £354,000 from 16/17 and does provide some certainty around our capacity to support cases which have been affected by the increase in the benefit cap in the short term.

87 cases have been removed from the cap due to changes in rates of rent in temporary accommodation. The team continues to work with the remaining cases. Local Job Centre Plus funding under the Flexible Support Grant will end on 31st May 2017 and a review of the programme relating to the funding is scheduled with JCP colleagues in June. Funding has been identified to continue intervention work for the remainder of 17/18.

June 2017 - caseload is being managed within DHP budget, there are a number of households we are finding it difficult to get engagement with so outreach work is underway. JCP funding has now stopped and the reserves which have been used to support this work are unlikely to be sufficient to enable the work of the team in its current form to continue into 2018/19. In response to this a business case is being developed to explore a spend to save case for mainstreaming this work. End date for this risk extended until 31/03/18 aligning with current support provision.

Oct 2017 - The team continues to engage with customers affected by the benefit cap. Cases where threats to housing have started to occur have been supported by the team and evictions prevented. A key focus is now on building links with local Jobcentres so that cases which are on Universal Credit and capped can be referred to the team for support. A decision on the resourcing for this team from April 2018 will be required as a part of the budget process and this work is underway.

Dec 2018 - Discussions on budget to resource the team has been included within the budget process. Caseworking support is continuing.

Mar 2018 - Budget support and confirmation of DWP new burdens funding will mean casework support will continue for 2018/19.

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Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Keep relevant staff and stakeholders up to date with information as it becomes available	Welfare Reform Programme Manager	75	31/12/18	01/06/15	31/12/18
<p>Comments: Programme governance in place (Senior level, operational level, City Wide Partners level) and meetings happening as planned. Members briefed as appropriate through various channels.</p> <p>updates prior to Jan 2017 archived</p> <p>January 2017 - Internal operations group and city wide are now focussed on issues surrounding the full roll out of universal credit. A separate meeting will be organised with Registered Social Landlords who operate in the city. Briefings are being held with relevant services and organisations across the city to brief them of the changes, for example children's centres, health visiting teams and private landlords groups.</p> <p>This action has now been extended until December 2017 to reflect the fact that the full roll out of Universal Credit is due to start in the city in October and November 2017.</p> <p>April 2017 - All actions around communicating information about welfare reforms to stakeholders continue. It is anticipated the main focus will be on Universal Credit and related issues for the rest of the year which is captured in a separate specific risk heading under SR24.</p> <p>October 2017 - All actions around communicating information about welfare reforms to stakeholders continue with a focus around the rollout of Universal Credit including several bespoke meetings and the production of a booklet providing advice and local resources to support people claiming Universal Credit.</p> <p>Dec 2017 - Meetings with City wide stakeholders and internal services to be set up for 2018.</p>					
Prepare for Universal Credit (UC)	Welfare Reform Programme Manager	90	31/03/18	04/05/15	31/03/18
<p>Comments: Updates prior to Jan 2017 archived</p>					

14-Mar-2018

January 2017 - The Government have now published a detailed timetable for the roll out of Universal Credit. From October and November 2017 all new claims for working age people in Brighton and Hove will be made for Universal Credit (UC). This will include families, people with young children, and people with issues relating to health and disability.

Work is required to prepare services for this change and the scoping phase of this project is underway which largely involves gathering information from services about the impact of this. There will also be a need to recommission budgeting and online support for Universal Credit claimants. This will be funded by the DWP but commissioned by the Council. A report is due to go to ELT setting out the main risks around the introduction of UC and the organisations readiness to deal with it.

The end date of this action has been extended to 01/12/17 to reflect full roll out dates of Universal Credit.

February 2017

Scoping has been undertaken with different service areas including Rev and Bens, Housing, Children's Safeguarding and Care, Adult Social Care. Meetings of operational managers are underway to plan mitigations for the identified risks.

Additionally information has been requested of colleagues and stakeholders in the city who are not part of the Council. This has been done via the welfare reform city wide meeting which contains representatives of social and private landlords, the advice sector and CVS.

Indicative but not final figures have been provided by DWP for funding of local budgeting and online support requirements.

A report is due to ELT on 8th March 17 setting out the main risk areas and the proposed approach to mitigations. Further to this a meeting will be held with senior colleagues from relevant services on 25th April 17. Meetings with operational managers will continue and form the core delivery group for the actions attached to this work.

April 2017

Scoping work has been completed and an initial Risk Register and Programme plan of work has been completed and actions are underway. The briefing to ELT and Leadership board went ahead and senior officers and members are sighted on the key issues, the Administration have expressed increasing concern about the potential impact of the rollout of UC in the city. Staff have visited Croydon who have been live with full service UC for over a year to learn lessons. Project meetings will commence in the first week in May 17.

June 2017 - project meetings underway and project actions are being delivered, even with these actions there are still a number of Red rated risks on the Risk Register which have been agreed by the project board and will be escalated.

14-Mar-2018

July 2017 - report on cross service readiness for Universal Credit has been requested for the October NICE committee

Oct 2017 - Report on Universal Credit readiness will be presented to the NICE committee on 9th October. UC full service will roll out in the City between Oct 2017 and Jan 2018. A cross service programme of work is in place to prepare for this which holds a separate project plan and risk register.

Dec 2018 - UC has rolled out in two of the four of the City's high level postcode areas. Co-location between JCP and Housing staff has been agreed. CAB are providing Assisted Digital Support and Personal Budgetting Support in the JCP. Training has been rolled out to council staff and across the voluntary and advice sector.

Mar 2018 - All areas of the city are now live for full service universal credit claims. The project timescales have been extended until the end of March in the first instance to take account of the extended timetable(full rollout was due to complete in November 17 but was extended to January 2018). The project board will review the outcomes of the project at the end of March or beginning of April, identify any outstanding acitons and consider what review/oversight arrangements need to be in place as the rollout continues in the city through to 2022.

Provide policy options and author reports to give members options on policy issues e.g. Council Tax Reduction	Welfare Reform Programme Manager	80	31/03/19	01/04/15	31/03/19
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Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: updates prior to Jan 2017 archived</p> <p>January 2017- Report has gone through PR&G and Full Council and changes agreed for the scheme from April 2017. Systems testing on year end software is underway. Letters are scheduled to be sent to customers affected giving them advance notice of the changes and inviting them to apply for discretionary funds in Mid-Feb. Technical changes to scheme documents will be made before the end of the financial year.</p> <p>April 2017 - End date rolled forward to 31/03/18 to capture potential impact on Council Tax Reduction (CTR) from UC and the potential needs for changes to the scheme this may create. Actions have been captured in the UC programme plan.</p> <p>June 2017 - Early work done around impact to CTR, direction expected from finance colleagues shortly around required approach to CTR this year.</p> <p>Oct 2017 - Council Tax Reduction review is on track to be reported to Council in December.</p> <p>Dec 2018 - Council Tax Reduction review has progressed through PR&G and Full Council.</p> <p>Mar 2018 - End date extended to March 2019 to continue to monitor and plan for the impact of Universal Credit on the Council Tax Reduction scheme.</p>					

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Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR29	Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage	Executive Director of Finance & Resources Procurement Strategy Manager	BHCC Strategic Risk, Contractual / Competitive	07/02/18	Threat	Treat	Amber L3 x 14	Amber L2 x 14		Revised: Adequate

Causes

Link to Corporate Plan: Outcome ' A modern council: Providing open civic leadership and effective public services'

Historical sub-optimal contract specification due to:

- Initial failure to identify options for delivery, including reverting to 'what we've always done.'
- Lack of willingness to test existing suppliers against the market.
- Failure to prioritise contract management and lack of available resources to perform this task.
- Lack of commercial skills and failure by management to recognise their importance.
- Lack of willingness to hold 'difficult conversations' with suppliers.
- Low levels of senior engagement with suppliers.
- Poor understanding of markets and delivery models.
- Under-resourcing of the Procurement team.
- Lack of corporate oversight of contracting and commissioning.

Although unlikely to happen now, ongoing resource pressures in Procurement means this risk still exists.

Potential Consequence(s)

- Poor Value for Money (VfM)
- Financial losses
- Legal challenge from suppliers / service users
- Reputational damage for the council - both the administration and officers
- Poor outcomes or failure of services and associated impact on service users
- Diversion of scarce resources to resolve issues
- Loss of morale and stress for officers

Existing Controls

First Line of Defence: Management Controls

Utilise procurement function to ensure that appropriate and legally robust commercial delivery options are chosen and robust contracts are in place. Robust contract Key Performance Indicators (KPIs) in place so that contract performance and risk are understood.

Second Line of Defence: Corporate Oversight

Well-resourced corporate contract performance management oversight function to train and challenge contract managers and commissioners. Progress reviewed by Corporate Modernisation Delivery Board (CMDB), Members Oversight Group and Members Procurement Advisory Board.

Third Line of Defence: Independent Assurance

Internal Audit and periodic review by Audit & Standards Committee.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Full Council approval for £1.2m investment in Contract Management resources approved on 23 Feb 2017 at Budget Council. This has provided 9.5 fte resources including legal support to ensure the set up of a Contract Management 'Centre of Expertise'.	Executive Director of Finance & Resources	50	29/03/19	07/04/17	29/03/19
Comments: Recruitment and training for new staff complete. Material contracts have been risk-assessed in order to target resources in the most appropriate way. This process is under way and stated 'first cut' savings targets of £0.5m in 2017/18 with further savings in 2018/19. Some of this however is cost containment, e.g. the fragility of the care market limits the extent to which cash savings can be achieved. The Procurement Advisory Board is focused on this work. Potential for Deep Dive by Audit & Standards Committee.					

Brighton & Hove City Council

Appendix 1 Strategic Risk Focus

SR15

SR31

SR24

SR29

Audit & Standards Committee 27 March 2018

Print Date: 14-Mar-2018

Initial Rating

		IMPACT				
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
LIKELIHOOD	Almost Certain (5)	0	0	0	0	0
	Likely (4)	0	0	0	3	0
	Possible (3)	0	0	0	1	0
	Unlikely (2)	0	0	0	0	0
	Almost Impossible (1)	0	0	0	0	0

Revised Rating

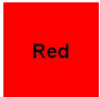

		IMPACT				
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
LIKELIHOOD	Almost Certain (5)	0	0	0	0	0
	Likely (4)	0	0	1	0	0
	Possible (3)	0	0	0	2	0
	Unlikely (2)	0	0	0	1	0
	Almost Impossible (1)	0	0	0	0	0

1 - 3
Low
Monitor periodically

4 - 7
Moderate
Monitor if the risk levels increase

8 - 14
Significant
Review and ensure effective controls

15 - 25
High
Immediate action required & need to escalate to the management level above

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR15	Not keeping children safe from harm and abuse	Executive Director Families, Children & Learning Service Manager - Directorate Policy & Business Support Assistant Director - Children's Health, Safeguarding & Care	BHCC Strategic Risk, Legislative	07/02/18	Threat	Treat	 L4 x I4	 L3 x I4		Revised: Adequate

Causes

Link to Corporate Plan: Priority Children & Young People: Safeguard children and young people and reduce the rate of re-referral
 Keeping vulnerable children safe from harm and abuse is a legal responsibility of the Council. Legislation requires all local authorities to act in accordance with national guidance (Working Together) to ensure robust safeguarding practice. This includes the responsibility to ensure an effective Local Safeguarding Children Board (LSCB) which oversees work locally and in partnership with Police, Health and social care providers. The numbers of children in care and those on Child Protection Plans are significantly higher than in similar authorities. The number of children and young people (CYP) who are sexually exploited is also of concern.

Potential Consequence(s)

The complexity of circumstances for many children presents a constant state of risk which demands informed and reflective professional judgement, and often urgent and decisive action, by all agencies using agreed thresholds and procedures. Such complexity inevitably presents a high degree of risk. Children subject to abuse, exploitation and/or neglect are unlikely to achieve and maintain a satisfactory level of health or development, or their health and development will be significantly impaired. In some circumstances, abuse and neglect may lead to a child's death.

Existing Controls

First Line of Defence: Management Controls

1. Robust quality assurance processes embedded and reported on annually
2. Single access point ('Front Door for Families') for support and safeguarding issues relating to children operated from May 2017. The service is managed by one manager with responsibility for and oversight of both the Multi-Agency Safeguarding Hub (MASH) which launched from Sept 14 and early help referrals to provide robust risk assessments and information sharing between partner agencies.
3. LSCB Work Plan established with strong leadership by the Independent Chair with aligned LSCB sub-group work plans
4. Serious Case, Local Management and Child Death Reviews identify learning and action for improvement
5. The directorate has full engagement with the LSCB
6. There is a strong focus on working with CYP at risk of being missing from care, home and education
7. The local Troubled Families programme targets support to the most vulnerable families
8. Continuous professional development and training opportunities offered by the LSCB and good multi agency take up of training
9. In line with the Government's Prevent Strategy, work with the Police, Statutory Partners, Third Sector Organisations and Communities to reduce radicalisation
10. Threshold document, agreed by all agencies and reviewed regularly
11. Relationship based model of practice operating from Oct 2015 for social work teams, with Pods in place to provide stability to service users
13. Performance management across children's social work enables a more informed view on current activity and planning for future service changes;



Second Line of Defence: Corporate Oversight

1. Early Help system redesigned in 2017 and new structure in place
2. Quality Assurance within the city and also across key agencies monitored by the LSCB sub group
3. The Child Review Board meets quarterly and is an opportunity for Lead Members to receive information, provide challenge and comments on children's social care issues with Heads of Service, Assistant Director and Director for Children's Services
4. Reports delivered to LSCB following robust auditing of multi-agency case files and safeguarding practice.

Third Line of Defence: Independent Assurance

1. Ofsted inspected our social work arrangements in May 2015 and an action plan was developed to take forward recommendations, recently completed and final sign off agreed at CYPS committee in November 2017.
2. LGA (Local Government Association) Peer Review on Safeguarding completed in September 2016 which provided assurance (and helpful challenge) regarding progress against the Ofsted inspection report. The review confirmed our ongoing actions were well directed and work continues to implement
3. University of Sussex have completed an evaluation in 2017 of the relationship based Model of Practice setting out assurance on how it is working and useful recommendations for future focus
4. Meeting held with Ofsted in December 2017 to review an updated self evaluation with positive feedback. Detailed planning now underway to ensure readiness for new Ofsted inspection framework coming in early in 2018. Their comments in December included "Overall, you are bucking the national trend by seeing a steady decline in demand for specialist children's services. You continue to test your thresholds by seeking feedback from your partners and through your quality assurance processes."

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
High quality social work is provided to ensure that Children & Young People (CYP) are effectively safeguarded	Head of Service - Safeguarding & Quality Assurance	75	31/03/18	01/04/16	31/03/18
<p>Comments: Quality assurance activity continues to indicate and assure us that most children and families continue to be provided with appropriate social work services, with 69% of Q2 audited cases demonstrating positive outcomes for the child. In 2017 we had an independent review of our relationship based model of practice, which reported positively on progress, found our practice to be good and agrees with our planned direction of travel. Data (in reduction in numbers in the social care system) is moving in a positive direction. We engage in regional peer review processes to check quality of our arrangements. Performance management information isn't highlighting any areas of particular concern. Our social work workforce has stabilised and we have no agency workers.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR31	Greater liability on the council's budget due to budgetary pressures on schools	Executive Director Families, Children & Learning Service Manager - Directorate Policy & Business Support Assistant Director Education & Skills	BHCC Strategic Risk	07/02/18	Threat	Treat	 Red L4 x 14	 Amber L3 x 14		Revised: Adequate

Causes

Schools with Licensed Deficit agreements continuing into 2017/18 total £1.021m. These schools currently show a projected overspend of £0.938m, an improvement of £0.083m. Schools requiring new licensed deficits in 2017/18 total £1.143m. These schools currently show a projected overspend of £1.093m, an improvement of £0.050m . Other schools are overspending by £0.108m. This makes a total of projected deficits of £2.139m. Early indications are that the level of schools' surpluses will fall from £2.895m at 31/03/17 to £1.800m at 31/03/18. This projection would result in an overall overspend on schools of approximately £0.339m (£2.139m - £1.800m) at 31/03/18, which would need to be met from General Fund reserves in the short term.

Potential Consequence(s)

*If the level of licensed deficits in 2017/8 is still required by schools which already have Licensed Deficit agreements continuing into 2017/18 then the council will not be able to license any new deficits under the current scheme

*Inequality between schools and impact on relationship between the majority of schools and the council

*Increased council support to assist schools to improve procurement options, work collaboratively and manage workforce better

*Stakeholder dissatisfaction due to changes in service location of provision

*External auditors may reduce their rating of the Council's ability to secure Value for Money

*If a school is unable to provide sustainable strategies in order to balance their budgets, Finance will have to apply tougher sanctions e.g. removal of a school's delegated financial powers

*If educational performance requires a school which has is already in deficit to transition to academy status, the DfE policy is that the council will fund the deficit from its core budget and recover the monies from the academy trust and the council will not receive monies until the DfE is satisfied that the amount is a true reflection of what is owed and both parties agree

*Schools may decide not to 'buy-back' services from existing council support services, reducing workforce.

Existing Controls

First line of Defence - Management Controls

1. Annual meeting between Executive Director FCL and Executive Director F&R where budgets are scrutinised and challenged by the Directors to minimise the level of deficits required and ensure best use of public money. The scheme for financing schools, currently allows 40% of the carry forward balance to be used for licensed deficit agreements.
2. School budget plans for 2017/18 were finalised on 9 June 17.
3. Schools' finance team monitor the budget position for each school.
4. Schools' finance team hold regular finance meetings with schools in licensed deficit and a process for schools causing financial concern was introduced in spring 2017.

Second Line of Defence - Corporate Oversight

1. For schools in deficit, a Strategy Board has been established with the prime focus upon the school's management of its budget.
 2. The position for schools will be reported to Families, Children and Learning Directorate Management Team (DMT) as part of the Targeted Budget Management (TBM) reporting process.
 3. Under the Scheme for Financing Schools, the Local Authority (LA) can issue a Notice of Concern where the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.
 4. Report to Policy Resources & Growth (PR&G) Committee on 13 July 2017.
 5. Executive Leadership Team (ELT) report 21/6/17 outlined issues re. Schools Balances, including recommendation to suspend the governing body's right to a delegated budget for reasons of financial mismanagement after giving the governing body notice of the suspension and if appropriate corrective action is not taken.
- * Department for Education (DfE) policy on deficit balance.
* Joint letter from Executive Directors of Families, Children & Learning and Finance & Resources sent to all schools highlighting the level of school deficits this year and the wider implications for Council's budget's, with a notice that no further deficit budgets could be licensed.

Third Line of Defence - Independent Assurance

Internal Audit has a year by year plan for audits at schools prioritised by those where financial risks are higher, a programme is in place to ensure that all schools in the city are on the audit programme over the next few years. 29 audits have already been completed. Where limited assurance has been given (in 4 cases) more targeted support is given to that school to help implement recommendations.

Secretary of State will decide upon any dispute concerning a deficit balance owed between an Academy Trust and the council Academy Trust.

Section 151 Officer provides a scrutiny process.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Continue to work closely with schools to ensure that they manage the risk of an increasing deficit in order to limit the potential cost to the LA's budget.	Assistant Director Education & Skills	50	31/07/18	26/06/17	31/07/18

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Schools are contacting the finance team for advice on this. We've identified schools that need more targeted support and will be writing to them. We continue to monitor school budget positions. School budgets positions are shared with school improvement colleagues to ensure holistic support is given.</p>					
<p>Inform Members of the impact of DfE's calculation of notional individual budgets for schools in 2018/19 which will change as it will take regard of the locally agreed formula as agreed with the Schools Forum.</p>	<p>Assistant Director Education & Skills</p>	<p>95</p>	<p>30/06/18</p>	<p>26/06/17</p>	<p>30/06/18</p>
<p>Comments: In January 2018 the Schools Forum agreed the formula that will be applied in Brighton & Hove, subject to Department for Education (DfE) approval, information has been shared with Members. At the end of January 18 the DfE agreed and signed off council's formula. Schools have received their indicative budgets for 18/19 academic year. Next we will work with schools to balance the 18/19 budget with the 17/18 year end position, Schools are expected to finalise their budgets in June 18. Members will be advised where there are pressures and gaps.</p>					
<p>Monitor and inform schools of the new national funding formula for schools</p>	<p>Assistant Director Education & Skills</p>	<p>100</p>	<p>28/02/18</p>	<p>26/06/17</p>	<p>28/02/18</p>
<p>Comments: A session was held in November 17 with Primary Schools representatives to explain school funding arrangements and implications of potential decisions taken by Schools Forum. After confirmation from the DfE that our schools' formula had been agreed and was signed off at the end of January 2018 it enabled the Schools Forum to agree the formula that will be applied in Brighton & Hove, and by mid February 2018 schools received their budget allocation for 18/19.</p>					
<p>Work with schools re. number of spare school places available in the city and the impact these have on school budgets.</p>	<p>Assistant Director Education & Skills</p>	<p>80</p>	<p>30/04/18</p>	<p>26/06/17</p>	<p>30/04/18</p>

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Admissions arrangements for 19/20 have been agreed by Children, Young People and Skills committee in January 2018. A reduction of 90 primary school places has been agreed. There will need to be further discussions with primary headteachers about addressing the continued surplus supply of places. Decisions have been taken to increase the places available in existing secondary schools and we await the decision of the Department for Education about the opening of the proposed new secondary school. A school organisation plan will be taken to the Children, Young People and Skills committee in Autumn 2018.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR24	The impact of Welfare Reform increases need and demand for services	Executive Director of Finance & Resources Welfare Reform Programme Manager	BHCC Strategic Risk	07/02/18	Threat	Treat	Amber L4 x I4	Amber L4 x I3		Revised: Uncertain

Causes
Introduction of Universal Credit during 2015/16 with extended roll out during 2016 and thereafter. Implications for staffing levels within services; rent collection; council tax collection, and pressures on social services and homeless services.
Additionally further to the July 2015 national budget a new programme of welfare reform commenced from April 2016. In Brighton and Hove the full Universal Credit rollout takes place between October 2017 and January 2018.

Potential Consequence(s)
Increased service pressures on housing and social services.
Decreased rent and Council Tax collection.

Existing Controls

First Line of Defence: Management Actions

1. A welfare reform team is in place to monitor welfare changes and to coordinate a corporate response to them
2. Ongoing meetings have been held with Department for Works Pensions (DWP) about change to Universal Credit. Budgeting and digital support has been commissioned from the third sector to support Universal Credit claimants. Full rollout has commenced from 4th October
3. Information is provided to inform housing and children's services colleagues re. changes to benefit cap policy and impact on funding of temporary accommodation. Analysis of impact of the changes to the benefit cap in 2016 has been done and strategy to minimise the impact of these changes has been in place from November 2016
4. Council Tax Reduction (CTR) policy options provided to members to give the option to partially mitigate impact of Tax Credit changes on local CTR costs as part of CTR yearly process. Reports will continue to be authored for committee and council and consultation undertaken as appropriate.
5. Provide caseworking support directly to customers most significantly affected by the changes (specifically the benefit cap)
6. Regular links maintained with advice and voluntary sector so impacts on citizens can be judged
7. Modelling of specific policies being undertaken to assess the impact on customers in terms of numbers and change
8. Feeding into other relevant council work streams, eg library service leading digital inclusion including for Universal Credit claimants, actions around the City Employment Support Plan and the communities prospectus from 2017
9. Detailed risk register for Welfare Reform reviewed quarterly and logged with Senior Responsible Officer .

Second Line of Defence Corporate Oversight:

Corporate oversight at cross service Universal Credit programme board and six monthly scheduled to Corporate Management Team.

Regular reports to Leadership Board.

Executive Leadership Team (ELT) Full Council, Policy, Resource & Growth (PRG) and the NICE Committee are all focused on this risk.

Third Line of Defence Independent Assurance:

Internal Audit - Audit has taken place over the end of 2017/beginning of 2018. Final report issued Feb 2018 Substantial Assurance.

Reason for Uncertainty of Effectiveness of Controls: It is not possible to project accurately the number of families who may require extra assistance from the council, either in terms of housing need or increased demand for other services. Previous experience suggests that some claimants find a way to close income gaps, but the position is not fully understood.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Benefit cap - casework support programme to support people affected by the benefit cap	Welfare Reform Programme Manager	75	31/03/19	01/06/15	31/03/19

Comments: updates prior to January 17 archived

January 2017

A Job Centre Plus work coach has been embedded with the Benefit Cap team for a period of six months.

Existing benefit cap cases had the new amount of cap applied from 7th November, new cases were notified to the council in January and the deductions are being applied to their Housing Benefit claim. So far approximately 450 cases have the cap applied which is lower than the DWP estimate of 680 cases however the value of the cap per cases is greater. The DWP have indicated they are still checking the details of some cases which may be potentially capped so we may be notified of more capped cases over time. The benefit cap team are working with the customers affected by the cap as expected.

April 17 - Discretionary Housing Payment funding for 17/18 has been confirmed by government and set at £1.13m. This is an increase of £354,000 from 16/17 and does provide some certainty around our capacity to support cases which have been affected by the increase in the benefit cap in the short term.

87 cases have been removed from the cap due to changes in rates of rent in temporary accommodation. The team continues to work with the remaining cases. Local Job Centre Plus funding under the Flexible Support Grant will end on 31st May 2017 and a review of the programme relating to the funding is scheduled with JCP colleagues in June. Funding has been identified to continue intervention work for the remainder of 17/18.

June 2017 - caseload is being managed within DHP budget, there are a number of households we are finding it difficult to get engagement with so outreach work is underway. JCP funding has now stopped and the reserves which have been used to support this work are unlikely to be sufficient to enable the work of the team in its current form to continue into 2018/19. In response to this a business case is being developed to explore a spend to save case for mainstreaming this work. End date for this risk extended until 31/03/18 aligning with current support provision.

Oct 2017 - The team continues to engage with customers affected by the benefit cap. Cases where threats to housing have started to occur have been supported by the team and evictions prevented. A key focus is now on building links with local Jobcentres so that cases which are on Universal Credit and capped can be referred to the team for support. A decision on the resourcing for this team from April 2018 will be required as a part of the budget process and this work is underway.

Dec 2018 - Discussions on budget to resource the team has been included within the budget process. Caseworking support is continuing.

Mar 2018 - Budget support and confirmation of DWP new burdens funding will mean casework support will continue for 2018/19.

14-Mar-2018

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Keep relevant staff and stakeholders up to date with information as it becomes available	Welfare Reform Programme Manager	75	31/12/18	01/06/15	31/12/18
<p>Comments: Programme governance in place (Senior level, operational level, City Wide Partners level) and meetings happening as planned. Members briefed as appropriate through various channels.</p> <p>updates prior to Jan 2017 archived</p> <p>January 2017 - Internal operations group and city wide are now focussed on issues surrounding the full roll out of universal credit. A separate meeting will be organised with Registered Social Landlords who operate in the city. Briefings are being held with relevant services and organisations across the city to brief them of the changes, for example children's centres, health visiting teams and private landlords groups.</p> <p>This action has now been extended until December 2017 to reflect the fact that the full roll out of Universal Credit is due to start in the city in October and November 2017.</p> <p>April 2017 - All actions around communicating information about welfare reforms to stakeholders continue. It is anticipated the main focus will be on Universal Credit and related issues for the rest of the year which is captured in a separate specific risk heading under SR24.</p> <p>October 2017 - All actions around communicating information about welfare reforms to stakeholders continue with a focus around the rollout of Universal Credit including several bespoke meetings and the production of a booklet providing advice and local resources to support people claiming Universal Credit.</p> <p>Dec 2017 - Meetings with City wide stakeholders and internal services to be set up for 2018.</p>					
Prepare for Universal Credit (UC)	Welfare Reform Programme Manager	90	31/03/18	04/05/15	31/03/18
<p>Comments: Updates prior to Jan 2017 archived</p>					

14-Mar-2018

January 2017 - The Government have now published a detailed timetable for the roll out of Universal Credit. From October and November 2017 all new claims for working age people in Brighton and Hove will be made for Universal Credit (UC). This will include families, people with young children, and people with issues relating to health and disability.

Work is required to prepare services for this change and the scoping phase of this project is underway which largely involves gathering information from services about the impact of this. There will also be a need to recommission budgeting and online support for Universal Credit claimants. This will be funded by the DWP but commissioned by the Council. A report is due to go to ELT setting out the main risks around the introduction of UC and the organisations readiness to deal with it.

The end date of this action has been extended to 01/12/17 to reflect full roll out dates of Universal Credit.

February 2017

Scoping has been undertaken with different service areas including Rev and Bens, Housing, Children's Safeguarding and Care, Adult Social Care. Meetings of operational managers are underway to plan mitigations for the identified risks.

Additionally information has been requested of colleagues and stakeholders in the city who are not part of the Council. This has been done via the welfare reform city wide meeting which contains representatives of social and private landlords, the advice sector and CVS.

Indicative but not final figures have been provided by DWP for funding of local budgeting and online support requirements.

A report is due to ELT on 8th March 17 setting out the main risk areas and the proposed approach to mitigations. Further to this a meeting will be held with senior colleagues from relevant services on 25th April 17. Meetings with operational managers will continue and form the core delivery group for the actions attached to this work.

April 2017

Scoping work has been completed and an initial Risk Register and Programme plan of work has been completed and actions are underway. The briefing to ELT and Leadership board went ahead and senior officers and members are sighted on the key issues, the Administration have expressed increasing concern about the potential impact of the rollout of UC in the city. Staff have visited Croydon who have been live with full service UC for over a year to learn lessons. Project meetings will commence in the first week in May 17.

June 2017 - project meetings underway and project actions are being delivered, even with these actions there are still a number of Red rated risks on the Risk Register which have been agreed by the project board and will be escalated.

14-Mar-2018

July 2017 - report on cross service readiness for Universal Credit has been requested for the October NICE committee

Oct 2017 - Report on Universal Credit readiness will be presented to the NICE committee on 9th October. UC full service will roll out in the City between Oct 2017 and Jan 2018. A cross service programme of work is in place to prepare for this which holds a separate project plan and risk register.

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Provide policy options and author reports to give members options on policy issues e.g. Council Tax Reduction	Welfare Reform Programme Manager	80	31/03/19	01/04/15	31/03/19
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<p>Comments: updates prior to Jan 2017 archived</p> <p>January 2017- Report has gone through PR&G and Full Council and changes agreed for the scheme from April 2017. Systems testing on year end software is underway. Letters are scheduled to be sent to customers affected giving them advance notice of the changes and inviting them to apply for discretionary funds in Mid-Feb. Technical changes to scheme documents will be made before the end of the financial year.</p> <p>April 2017 - End date rolled forward to 31/03/18 to capture potential impact on Council Tax Reduction (CTR) from UC and the potential needs for changes to the scheme this may create. Actions have been captured in the UC programme plan.</p> <p>June 2017 - Early work done around impact to CTR, direction expected from finance colleagues shortly around required approach to CTR this year.</p> <p>Oct 2017 - Council Tax Reduction review is on track to be reported to Council in December.</p> <p>Dec 2018 - Council Tax Reduction review has progressed through PR&G and Full Council.</p> <p>Mar 2018 - End date extended to March 2019 to continue to monitor and plan for the impact of Universal Credit on the Council Tax Reduction scheme.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR29	Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage	Executive Director of Finance & Resources Procurement Strategy Manager	BHCC Strategic Risk, Contractual / Competitive	07/02/18	Threat	Treat	Amber L3 x 14	Amber L2 x 14		Revised: Adequate

Causes

Link to Corporate Plan: Outcome ' A modern council: Providing open civic leadership and effective public services'

Historical sub-optimal contract specification due to:

- Initial failure to identify options for delivery, including reverting to 'what we've always done.'
- Lack of willingness to test existing suppliers against the market.
- Failure to prioritise contract management and lack of available resources to perform this task.
- Lack of commercial skills and failure by management to recognise their importance.
- Lack of willingness to hold 'difficult conversations' with suppliers.
- Low levels of senior engagement with suppliers.
- Poor understanding of markets and delivery models.
- Under-resourcing of the Procurement team.
- Lack of corporate oversight of contracting and commissioning.

Although unlikely to happen now, ongoing resource pressures in Procurement means this risk still exists.

Potential Consequence(s)

- Poor Value for Money (VfM)
- Financial losses
- Legal challenge from suppliers / service users
- Reputational damage for the council - both the administration and officers
- Poor outcomes or failure of services and associated impact on service users
- Diversion of scarce resources to resolve issues
- Loss of morale and stress for officers

Existing Controls

First Line of Defence: Management Controls

Utilise procurement function to ensure that appropriate and legally robust commercial delivery options are chosen and robust contracts are in place. Robust contract Key Performance Indicators (KPIs) in place so that contract performance and risk are understood.

Second Line of Defence: Corporate Oversight

Well-resourced corporate contract performance management oversight function to train and challenge contract managers and commissioners. Progress reviewed by Corporate Modernisation Delivery Board (CMDB), Members Oversight Group and Members Procurement Advisory Board.

Third Line of Defence: Independent Assurance

Internal Audit and periodic review by Audit & Standards Committee.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Full Council approval for £1.2m investment in Contract Management resources approved on 23 Feb 2017 at Budget Council. This has provided 9.5 fte resources including legal support to ensure the set up of a Contract Management 'Centre of Expertise'.	Executive Director of Finance & Resources	50	29/03/19	07/04/17	29/03/19
Comments: Recruitment and training for new staff complete. Material contracts have been risk-assessed in order to target resources in the most appropriate way. This process is under way and stated 'first cut' savings targets of £0.5m in 2017/18 with further savings in 2018/19. Some of this however is cost containment, e.g. the fragility of the care market limits the extent to which cash savings can be achieved. The Procurement Advisory Board is focused on this work. Potential for Deep Dive by Audit & Standards Committee.					

Subject:	Housing Electrical Works		
Date of Meeting:	27 March 2018		
Report of:	Executive Director Neighbourhoods, Communities & Housing		
Contact Officer:	Name:	Larissa Reed	Tel: 01273 294286
	Email:	Larissa.reed@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 At Audit & Standards Committee on 19 September 2017, recommendations were made that the Housing service should review and resolve (in conjunction with the contractor) discrepancies between work carried out and the charges for electrical work under the Term Partnering Agreement between the Council and Mears Ltd, (now Mears Group Plc) dated 30 March 2010 ("the Contract"). An update was provided to Audit & Standards Committee on 9 January 2018.
- 1.2 This report considers the outcomes of the work undertaken to date and sets out the implications of the findings of the review, highlighting the proposed next steps.

2. RECOMMENDATIONS:

- 2.1 That Audit & Standards Committee note the content of the report.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Council and Mears entered into a long term partnership agreement in 2010 for the provision of a full range of property maintenance services and other associated works primarily but not exclusively for those properties held within the Council's Housing Revenue Account. This report relates solely to domestic rewire activities undertaken as part of the planned maintenance programme set out in that Contract.
- 3.2 In 2016/17 finance officers raised queries about the charges relating to domestic rewires undertaken under the Contract. These queries were initially investigated as a desktop exercise by Housing who reviewed contract and works order information stored within the Mears job management system ("MCM"). The results were flagged up with Internal Audit colleagues who carried out a small number of site visits alongside Housing surveyors to verify the accuracy of the data.
- 3.3 The audit review identified nine areas for further investigation.

- 3.4 Of the nine categories some relate to the interpretation of the specification and the application of the contract schedule of rates as amended and updated since the commencement of the contract in 2010. The issues in respect of each are set out in the confidential Appendix 1 together with recommendations as to specific aspects of the claims arising in relation to electrical work streams.

Contract provisions relating to dispute resolution procedures

- 3.5 The Contract in the Standard Form of Contract for Term Partnering 2008 as amended provides that the parties “shall work together and individually in the spirit of trust, fairness and mutual co-operation”. As such, it is the expectation that the parties shall act reasonably, adopting the partnering ethos. The Contract sets out an initial hierarchical methodology of problem solving involving discussion and consultation in relation to issues arising under the Contract, followed by a reference to a chosen Alternative Dispute Resolution (ADR) procedure to be agreed by the parties if the matter has not been resolved locally.
- 3.6 There are a number of ADR options available. The Contract terms promote flexibility in accordance with the partnering ethos and it is open to the parties to agree, possibly with the advice of the Partnering Advisor named in the Contract (Trowers & Hamlin LLP), the form that procedure will take. Each has its own cost implications but generally they are usually cheaper and quicker than submitting disputes to the jurisdiction of the courts. In any event, the courts will expect that the dispute resolution procedures have been complied with, before court proceedings are commenced.
- 3.7 The choice of the more formal ADR procedures embarked on should the pipeline of negotiation procedures in the contract not result in a resolution of the issues are for the most part confidential, subject to FOI rights. They may take the form of, for example, conciliation, expert determination or adjudication all of which involve the appointment of a third party who will objectively consider the issues and reach a decision on those issues. The choice of process should be agreed by the parties (with the assistance of the Partnering Advisor if necessary), and enable agreement to be made in the context of clear and defined issues whether they be of fact, matters of expert determination of a technical issue or of law in interpretation of contractual terms.
- 3.8 Proceedings, whether in the form of an ADR procedure or through the courts, are not to be advised until all options for a considered and pragmatic approach to problem solving have been explored which is proportionate in terms of cost, the importance to the parties, the management of the contract and the delivery of the services going forward.

Contract management

- 3.9 It should be recognised that some of the issues raised as part of this review relate to different interpretations of the contract by the council and contractor. It is accepted that, in some cases, there were issues with the management of the contract in the early years and issues of interpretation were not raised or discussed with contractors through the usual contract management arrangements. This has led to delay on the part of the Council in addressing in a

meaningful manner some of the issues which are considered in this report and which the council recognises should have been reviewed in a more timely manner. In addition to specific issues arising in relation to certain work streams a number of more general learning points have been highlighted with the assistance of the audit review. The following are recommendations for improving the contract management procedures going forward.

- Robust compliance with the contract variation procedures with a full audit trail of changes involving staff with specialist technical knowledge as appropriate.
- Change the current practice of recording costs for different orders on one “main” works order.
- Where an issue relates to interpretation of the contract terms including the specification and the application of a schedule of rates that the issues are dealt with promptly using the problem solving hierarchy in the contract and the methodology to be applied in future works agreed.
- Strengthen council processes for receipt, recording, analysis and review of electrical certification received from the contract.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 None directly related to this report.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None directly related to this report.

6. CONCLUSION

6.1 This report sets out the actions undertaken to review each of the nine categories identified. It also sets out the pathway proposed for taking these forward for further consideration.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 The budgets for the responsive repairs service to council tenants (including electrical works outlined in this report) is held within the Housing Revenue Account (HRA). The appendices to this report are held in part 2 of this agenda and they describe the actions to be taken by officers in each of the categories and the possible sums involved. In most cases this involves pursuing through the normal contract resolution processes with Mears as described in the body of the report as well as review of current processes. The financial implication of this is therefore unknown at this stage and will depend on the outcomes agreed by both parties. Any costs due to or from the council will be managed through HRA Property and Investment budgets.

Finance Officer Consulted: Monica Brooks

Date: 16/03/18

Legal Implications

The legal implications are contained within the body of the report and of the Appendices

Lawyer Consulted: Judith Fisher

Date: 14.03.2018

Equalities Implications:

- 7.2 There are no equalities implications arising directly from this report.

Sustainability Implications:

- 7.3 There are no sustainability implications arising directly from this report.

Any Other Significant Implications:

- 7.4 No health and safety implications were identified as a result of the works reviewed and properties visited by Housing officers.
- 7.5 Housing surveyors have carried out inspections to 199 of the 265 properties covered within categories six and eight. For the 66 properties that have not been inspected, all have had multiple attempts to gain access including telephone contact and letters. 12 of these are now leasehold properties. The 44 tenanted properties where there has been no access will be referred over to the tenancy teams to carry out tenancy audits and any new information will be shared when available. No health and safety concerns have been identified relating to the jobs inspected. Five emergency repairs have been raised associated with the visits but these were not related to the works being inspected.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1 – (copy circulated to Members only)

Documents in Members' Rooms

None

Background Documents

None

Subject:	Ernst & Young March 2018 Progress Report		
Date of Meeting:	27 March 2018		
Report of:	Ernst & Young		
Contact Officer:	Name:	Paul King	Tel: 0118 928 1556 (Ext 41556)
	Email:	pking1@uk.ey.com	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The purpose of the Progress Report is to provide an update regarding the status of the 2017/18 audit and update Members of any recent developments or changes to accounting requirements.

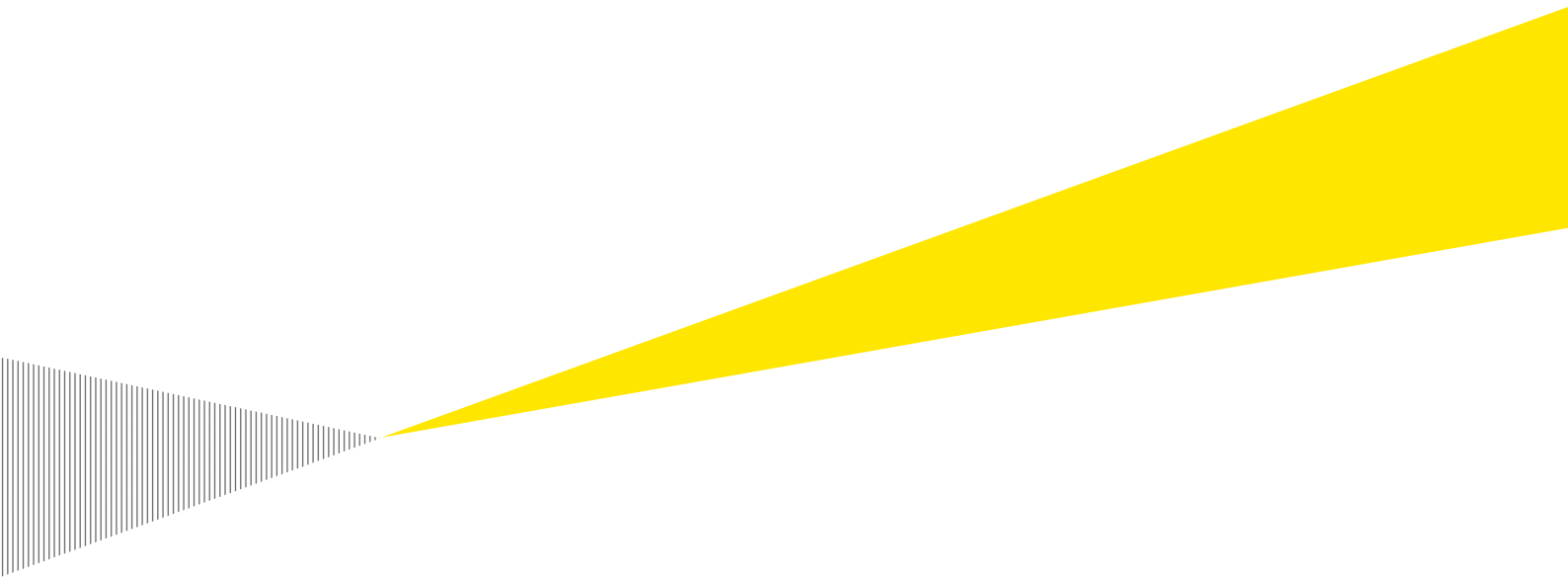
2. RECOMMENDATIONS:

- 2.1 That the Committee note the report.

Brighton & Hove City Council

Audit & Standards Committee Progress Report

March 2018



Members of the Audit & Standards Committee,
Brighton & Hove City Council,
Hove Town Hall,
Norton Road,
Hove,
BN3 3BQ

March 2018

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This Progress Report summarises our plans for the 2017/18 year. The purpose of the report is to ensure our audit is aligned with the Committee's service expectations.

Our audits are undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Paul King
Ernst & Young LLP
United Kingdom
Enc.

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Programme of work.....	2
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This report is made solely to the Audit & Standards Committee and management of Brighton & Hove City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Standards Committee, and management of Brighton & Hove City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Standards Committee and management of Brighton & Hove City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Programme of Work

Financial Statements

We are required to give an audit opinion on whether the financial statements of Brighton & Hove City Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended.

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we continue to meet with key officers and other stakeholders.

Completion of interim procedures

As documented in our Audit Plan, we have completed our initial Scope and Strategy procedures. We are currently on site completing our interim testing and early substantive procedures.

As noted in our Audit Plan, we have brought forward a number of our substantive procedures in order to meet the faster close deadline. At the time of writing, the procedures we have completed include (but are not limited to):

- Testing of month 1 to 9 Income;
- Testing of month 1 to 9 Expenditure;
- Testing of month 1 to 9 PPE Additions and Disposals;
- PPE and Heritage Asset existence testing, and;
- Working with officers to outline our requirements for testing of PPE valuation at year end, with the aim of avoiding those errors identified in the prior year.

At this stage, our work has not identified any new risks to our opinion that we need to bring to your attention as those charged with governance, but expect to continue to recognise those risks previously reported regarding Management Override and the Valuation of Land and Buildings. These risks and our response to them were reported in our Audit Plan, and will be concluded in our Audit Results Report in July 2018.

Faster Close

As previously reported, the Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

In order to ensure delivery of the audit opinion by the deadline, we require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and

- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To ensure the earlier deadline is met, we will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the Council to implement EY Client Portal, which will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on -demand visibility into the status of audit requests and the overall audit status;
 - Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

Value for money assessment

We have completed our Value for Money (VFM) planning and reported a risk to our opinion of Securing Financial Resilience. The developments set out below will also be taken into account in our detailed VFM work so far as they are relevant to the risk identified.

The conclusions from our VFM work will be reported to you in July 2018.

News & Latest Developments

Area	Issue	Impact
Provisional 2018–19 Local Government Finance Settlement	<p>On 19th December 2017 the Government set out the provisional funding plan for the 2018–19 financial year, which will be the third year of the four year multi-year settlement that was accepted by 97% of local authorities. The main themes of the provisional settlement were:</p> <ul style="list-style-type: none"> • Council tax referendum principles – as a result of the financial settlement consultation process the government has decided to set the core referendum principle at 3% in 2018–19 and 2019–20, to match the higher than expected inflation. This change will give local authorities more flexibility in deciding how money will be raised to offset the increasing financial pressures and demand on services. • Business rate retention - By 2020–21 it is estimated that the business rate retention across the local government system would be 75%, compared to the current level of 50% retention. It was also announced that the 100% business rates retention pilot schemes were going to be expanded to include a further 10 local authorities. • New homes bonus - The Government has decided to continue to set the national baseline (below which no bonus will be paid) at 0.4% for 2018/19. The national baseline represents the annual growth of Band D properties within a local authority above which the new homes bonus will be awarded. Government retained the option to adjust the baseline in future years based on housing statistics as reported through council tax base figures. 	<p>The Local Government Finance Settlement provides some certainty regarding the Councils funding in the short and medium term. This information will be relevant to the Council as it prepares its budgets for 2018-19 and beyond.</p>
Public Sector Pay	<p>Since 2013, the Government has implemented a policy of a 1% annual pay increase cap for public sector workers, which was estimated to have saved approximately £5bn by 2019–20. In the Autumn Budget 2017 the Government confirmed the end of the 1% pay increase policy. Therefore from 2018–19, pay review bodies will be able to award pay increases of greater than 1% as they determine to be appropriate. However, this will be an additional cost pressure for local authorities that will require financing.</p> <p>The national employers, who negotiate pay on behalf of 350 local authorities, suggested that most employees with salaries over £19,430 should receive a 2% increase for 2018–19 and a further 2% for 2019–20. Lower salaried workers will receive higher increases based on hourly pay; from £7.78 to £9.00 in April 2019 and an increase equivalent to 15.65%. National employers have said this would add another 5.6% to the national pay bill over the two years to 2020.</p>	<p>The revision to the policy will impact the Council's financial forecasting in the short and medium terms, and will need to be considered to ensure it does not create an additional funding gap for the Council.</p>

Area	Issue	Impact
IFRS 15 — revenue from contracts with customers	<p>The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue.</p> <p>The 2018/19 Code of practice on Local Authority Accounting in the United Kingdom (the Code) will determine how IFRS 15 revenue from customers with contracts will be adopted by local government bodies.</p> <p>The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The CIPFA/LASAAC Local Authority Accounting Code Board met on 6 June 2017 and discussed the implication of IFRS 15 on Local Government entities. The minutes of this meeting corroborate our view that for most entities income streams from contracts with customers are likely to be immaterial. The vast majority of income streams are taxation or grant based which do not fall within the scope of IFRS 15 as they are not contractually based revenue from customers.</p> <p>However, this may not always be the case for some authorities where there is a high public interest in commercial activities. The following income streams are within the scope of IFRS 15 and will need special consideration if they are material to the users of the financial statements:</p> <ul style="list-style-type: none"> • Fees and charges for services under statutory requirements • Sale of goods provided by the authority • Charges for services provided by a local authority 	<p>The Council will need to review the requirements of IFRS 15 and the 2018/19 Code when available to understand the impact this will have on the financial statements.</p>

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ey.com

Subject:	Internal Audit and Corporate Fraud Progress Report		
Date of Meeting:	27 March 2018		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Mark Dallen	Tel: 29-1314
	Email:	Mark.Dallen@brighton-hove.gcsx.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The purpose of this report is to update and provide assurance to the Audit & Standards Committee that:

- the Internal Audit and Corporate Fraud Teams are on target to deliver the audit and corporate fraud strategy and plan for 2017/18;
- the council is dealing with governance and control weaknesses appropriately.

1.2 The report summarises:

- the progress made against the Internal Audit and Corporate Fraud Plan;
- the results of work undertaken for the year to date;
- progress made by management in implementing audit actions.

2. RECOMMENDATIONS

2.1 That the Committee notes the report and considers any further action required in response to the issues raised.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The Audit & Standards Committee approved the Internal Audit and Corporate Fraud Plan on 7 March 2017. The report detailed the planned audit and corporate fraud activities for 2017/18, and the measures of delivery.

3.2 As at the time of reporting, resources remain sufficient to deliver the planned activities for the year.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

Progress against the audit plan

4.1 Internal Audit is on target to deliver 90% of the approved audit plan as per the key performance indicator. For the year to date, 38 of the 49 audit reviews have

been completed to draft or final report stage (78%). A total of 14 audits have been finalised since our last report in January, as per table 1 below.

Table 1 – Audits finalised since the last committee meeting.

Audit	Opinion given*
Housing and Council Tax Benefits	Substantial Assurance
Strategic Construction Contract	Substantial Assurance
Youth Employability Service	Substantial Assurance
Highways Maintenance	Reasonable Assurance
CareFirst Application	Reasonable Assurance
Concessionary Fares	Reasonable Assurance
Direct Payments and Personal Budgets	Partial Assurance
Online Banking System	Partial Assurance
HRA Estate Development Budget	Partial Assurance
Major Capital Projects (Brighton Centre/ Black Rock)	Interim project review – no specific assurance level given
EU Interreg Grant- PACE	Claim Certified
School Audits x 3	Reasonable Assurance x 3

*Appendix 1 provides a definition of these audit opinions.

- 4.2 Further information on each of these reports, including the scope and main conclusions, is provided in Appendix 2.

Progress against the counter fraud plan

- 4.3 The Corporate Fraud Team has a number of different work streams to deliver during 2017/18. Progress to date is detailed in table 2 below.

Table 2 – Corporate Fraud outcomes for the financial year 2017/18 to date.

Main areas of service delivery	Outcomes delivered for the year to date
Housing Tenancy and Right to Buy Fraud	<p>A total of 18 properties have now been returned to stock (an additional 6 properties since last reported to this committee).</p> <p>A total of 36 right to buy applications have not been pursued after preventive review by the team. This is an increase in one case since the last committee.</p>
Investigating and pursuing fraud in other high priority areas	<p>Five employment investigations for the year to date have resulted in the dismissal of four employees.</p> <p>Investigations into residents parking permits have resulted in 8 permits being cancelled or returned for the year to date (no change since last reported).</p> <p>A total of 138 blue badges have been cancelled as a result of data matching and other referrals.</p> <p>Rent rebate overpayments totalling £70,000 have been identified and £9,000 in Council Tax Reduction/Council Tax Exemptions/Discounts for the year to date (no change since last reported)</p> <p>Overpayments (including duplicate payments) of £57,000 have been identified.</p>

Additions and Deletions to the approved internal audit plan

4.4 The following audits have been added to this year's audit plan:

- Care Management System Replacement (advice and audit input).
- Corporate Welling Project (advice and audit input)

4.5 No audits have been deleted from this year's plan since last reported.

Progress made in implementing actions

4.6 The percentage of actions implemented by their target dates is closely monitored by Internal Audit and compiled on a quarterly basis for reporting to ELT. As at the end of quarter 3 (31 December 2017), 85.2% of actions due had been implemented (see table 3 below).

Table 3 – implementation of audit actions (as at 30 September 2017)

Period to end:	Audit Recs due	Database not updated by managers	Not implemented (or less than 50% implemented)	Implemented (includes part implemented > 50%)	Implemented (%)
31 December 2017 (Quarter 3)	229	12	22	195	85.2%

4.7 This is better than the rate as reported at the end of quarter 2 (82.5%) but is lower than the target implementation rate of 90% for 2017/18. The implementation rate for high priority actions at the end of quarter 3 was 82.5% (seven actions). Four of these have now been actioned leaving three outstanding as per table 4 below.

Table 4 – high priority actions due by the 31 December 2017 not yet implemented

Audit/ Action	Dir.	Due date	Revised date	Progress and risks.
<u>Building and System Access Controls for Leavers</u> (Rec. 10) A unique reference should be built into all key systems which can be easily and quickly matched to payroll records.	F&R	31/12/17	30/6/18	IT&D have investigated the action and concluded that in its current form it is not the ideal solution from a technical, logistical and commercial standpoint. Significant work has been completed to ensure network logins are disabled in a timely manner, thereby blocking access to the vast majority of BHCC systems. This work goes a long way to address the problem but there is still a risk for systems not administered by IT&D that users are not removed from systems when they cease to work for the Council or when their role changes. IT&D has proposed a new piece of discovery work, which would look at options to solve this problem. If agreed this will take three months after which a revised action and deadline will be put in place.

Audit/ Action	Dir.	Due date	Revised date	Progress and risks.
Housing Electrical Works x2	NCB	30/9/16	To be confirmed	A separate report will be provided to this meeting.

4.8 We continue to work with ELT and other senior managers to ensure that all audit actions are given sufficient attention, particularly those judged as high priority

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None.

6. CONCLUSION

6.1 The Committee is asked to note the report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 It is expected that the Internal Audit and Corporate Fraud Plan 2017/18 will be delivered within existing budgetary resources. Progress against the plan and actions taken support the robustness and resilience of the council's practices and procedures and support the council's overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 14/03/2018

Legal Implications:

7.2 The Accounts and Audit Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards'. It is a legitimate part of the Audit and Standards Committee's role to review the level of work completed and planned by internal audit.

Lawyer Consulted: Victoria Simpson

Date: 12/03/18

Equalities Implications:

7.3 There are no direct equalities implications.

Sustainability Implications:

7.4 There are no direct sustainability implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Audit Opinions and Definitions

2. Commentary on Finalised Reports

Documents in Members' Rooms

1. None

Background Documents

1. Internal Audit and Corporate Fraud Strategic Plan 2017/18

Appendix 1

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Commentary on Finalised Reports

Housing and Council Tax Benefits - Substantial Assurance

This is an annual key financial systems audit, the scope of the review being to ensure:

- all benefit payments are legitimate and appropriate;
- assessment of benefits is accurate and timely;
- overpayments and write-offs are effectively managed, monitored and reported;
- regular reconciliations are undertaken between the benefits system and housing rents and general ledger systems;
- quality assurance arrangements are effective.

Key controls were found to be in place and no significant areas for improvement were identified.

Strategic Construction Contract - Substantial Assurance

This review was of the council's re-procurement of its strategic construction contract partners. The partnership comprises four key areas: the constructor, consultant quantity surveyor, consultant structural engineer and consultant health and safety advisor. It is estimated that the partnership will be required to deliver between £100m and £170m of works over the next 7 years.

The review provided assurance that contract renewal processes complied with internal procurement rules and legislative requirements. Also that decision making was transparent and that the new contract adequately reflects the council's needs for the future delivery of construction services.

There were no significant findings.

Youth Employability Service - Substantial Assurance

The Youth Employability Service (YES) provides information, advice and guidance support to academic age 16 -18 year olds (up to 25 for young people with special educational needs or who are care leavers) who are not engaged in education, employment or training (NEET) or those identified as at risk of NEET.

The scope of the review was to assess whether the service's information, performance management and budget management systems are effective.

The review found that that service performance is improving year on year and is better than national figures. There was also evidence of good practice in place and no significant areas for improvement were identified.

Highways Maintenance - Reasonable Assurance

The Council manages 624km of carriageways and 1,018km of footways. The maintenance is provided through the two key contracts; highways works and improvements and safety maintenance.

The objective of this review was to establish that effective systems are in place to ensure the service is delivered in accordance with the contract specification and requirements, that the correct payments are made and that there is effective budgetary control over the service.

A small number of areas were identified where contract management could be improved with evidence that work quality inspections have temporarily dropped below the agreed threshold. The audit also found that better record keeping associated with contract management meetings could be maintained. Appropriate actions for improvement have been agreed with management.

CareFirst Application – Reasonable Assurance

CareFirst is a critical computer system used to provide case management functionality to more than 1,000 users within Health & Adult Social Care and Families, Children & Learning and holds information that underpins the majority of services in those directorates.

The purpose of the review was to obtain assurance that there are application controls in place to ensure the completeness, accuracy, security of the system and data.

The audit concluded that application governance arrangements are in place to manage key risks, including that the system is effectively supported in-house, and properly maintained by the vendor. Effective security of the system and user accounts is also maintained.

Some areas for improvement were however identified, including the need to:

- capture risks associated with the information held within the Carefirst application within the service's risk management process;
- formally report on the outcome of the disaster recovery test and update the IT Disaster Recovery Plan;
- ensure that IT & Digital have access to the relevant service's business continuity plans;
- ensure the completeness of the tracking of user acceptance test results after upgrades.

All actions for improvement have been agreed with management as part of a formal action plan.

Concessionary Fares – Reasonable Assurance

Concessionary bus passes are issued to older persons and those with a qualifying disability. In Brighton & Hove there are approximately 42,500 active passes in issue.

The purpose of the audit was to establish that controls are in place to ensure that passes are only issued to entitled persons, to prevent and detect the fraudulent use of

passes and ensure the validity of the data underlying the fixed price contract agreement.

Whilst controls were generally found to be in place, some opportunities for improvement were identified relating to:

- strengthening processes to prevent/ detect the use of cancelled cards, or use of a card by someone who is not entitled;
- exploring alternative options for analysing and monitoring overall pass usage.

Direct Payments and Personal Budgets – Partial Assurance

Direct payments are made to individuals to meet some or all of their eligible health care and support needs and need help to stay in their own home. At time of the audit review, there were 567 direct payment recipients with forecast expenditure of £6.4m in the current financial year.

The review sought to obtain assurance that the correct amounts are paid to service users, expenditure is legitimate and that care needs are met through effective monitoring arrangements.

The review identified several areas for improvement. These were to:

- increase the percentage of care reviews carried out on an annual basis;
- ensure effective and regular scrutiny of high balances across client accounts;
- improve procedures so that all clients are regularly and consistently making their contribution towards their care;
- improve procedures for account monitoring;
- improve management of the contract for the administration of payment cards.

All of these actions were agreed with management and will be subject to follow up Internal Audit in the future.

Online Banking System – Partial Assurance

The Lloyds Link system provides the Council with access to online corporate banking. A limited number of users have access to the corporate bank account including processing treasury management transactions. In addition a much larger group of users access the system to manage schools bank accounts.

The review was a follow-up of a 2016/17 audit which concluded limited assurance.

The audit found that only 6 of the previously agreed 15 actions have been fully implemented, although another 6 of the remaining actions had been partly implemented.

The areas for improvement that still need to be addressed relate to system security controls and the management of system user access profiles. These actions have all been agreed by management, but some are dependent on the implementation of system upgrades by the council's bank to be completed.

HRA Estate Development Budget – Partial Assurance

The Council sets aside £0.5m per annum as HRA Estate Development Budget that is available to fund community projects that result in an improvement to council housing owned buildings, community facilities, land or the local environment. It also funds improvements that benefit the community and the quality of life of tenants.

The scope of the audit was to provide assurance that:

- governance structures are in place which ensure that bids match council priorities and are supported by and will benefit the local community;
- controls ensure projects are realistic and value for money;
- delivery of projects is monitored to ensure they are completed on time, to budget and to the agreed specification;
- cost variations are approved and invoices are matched to estimated costs.

A number of areas for improvement were reported and agreed as follows:

- that effective checks on project quotes and final costs are introduced;
- there are better controls over cost variations;
- that better records are kept of meetings where bids are decided on by residents;
- that bid forms are supported by appropriate detail to be progressed to Area Panels including estimated costs, dimensions, photographs and plans and consultations undertaken.

All actions for improvement have been agreed with management and will be subject to future follow up by Internal Audit to ensure they are implemented.

Major Capital Projects (Waterfront) – Interim Project Review – no specific assurance level given

This is a high profile project with the objective of replacing the Brighton Centre with a 21st century arena and conferencing venue at the derelict Black Rock site next to the Marina. The project is dependent on the sale of the Brighton Centre to the owners of the Churchill Square shopping centre for redevelopment.

This was an interim project review to obtain assurance that effective programme and project governance arrangements are in place, key project risks are appropriately managed and that financial management arrangements are fit for purpose.

Key controls were identified as being in place, including an assessment of project benefits and alignment to council objectives, an appropriate governance structure, stakeholder engagement strategy and a project plan timeline.

In addition, the following areas for improvement and enhancement of controls as the project progresses were agreed;

- the project team to continue to ensure that project risks are identified, documented, and evaluated;
- additional funding sensitivity analysis to be undertaken, with any significant findings incorporated in the project risk register;

- a full record of project costs to be collated, maintained, and reported to project board.

Further audit work will be undertaken as this project progresses.

EU Interreg Grant – PACE (Claim 2) – Grant Certified

This is one of four EU Interreg projects that require grant certification on an annual basis.

The full title of the project is Providing Access to Childcare and Employment. The total value of the project between 2017 to 2020 is approximately £510,000.

No significant issues were identified in the grant certification.

School Audits

The schools identified for audit have been determined through a risk assessment which considers the date of the last audit, the Schools Financial Value Standard (SFVS) returns and known budget issues.

Three school audits have been completed since last reported. These schools were:

Cardinal Newman Catholic School – Reasonable Assurance
 Hertford Infant & Nursery School – Reasonable Assurance
 St Martins CE Nursery & Primary School - Reasonable Assurance

Each school audit covers the wide range of financial governance, management and administrative activities carried out at a school.

Key areas for improvement identified from the three audits above were:

- Improving budget planning, including effective communication of plans and restructuring.
- Obtaining declarations of interest from all members of the senior leadership team.
- Ensuring that the reconciliation process between the school's financial management system and the bank statement is fully independent.
- Communicating to stakeholders the purpose and balances of voluntary funds held.
- Ensuring that there is evidence of compliance with HMRC IR35 regulations with regard to the employment of third parties.
- Ensuring evidence is retained to confirm that pre-employment checks (references and qualifications) had been undertaken for new starters on all occasions.
- Implementing improvements in income reconciliation processes.

- Making sure that purchase orders are always raised for goods or services so that there is evidence of authorisation before good and services are delivered.

Subject:	Internal Audit and Corporate Fraud Strategy and Plan 2018/19		
Date of Meeting:	27 March 2018		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Mark Dallen	Tel: 01273 291314
	Email:	mark.dallen@brighton-hove.gcsx.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Audit & Standards Committee is asked to approve the Internal Audit plan for 2018/19.

This includes:

- the proposed programme of internal audit and counter-fraud work for the coming year.
- the Internal Audit Charter which sets out the purpose, authority and responsibilities of the Internal Audit function.
- the Internal Audit Reporting and Escalation Policy.

2. RECOMMENDATIONS:

- 2.1 That the Committee approves the Internal Audit and Corporate Fraud Strategy and Annual Plan, including the Internal Audit Charter and Internal Audit Reporting and Escalation Policy.
- 2.2 That the Committee notes the changes to the performance management arrangements for tracking actions resulting from internal audit work.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Regulation 5 of The Accounts and Audit Regulations 2015 requires the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'. In addition the Public Sector Internal Audit Standards (PSIAS) require "senior management" and "the board" to approve internal audit activity's plans and resource requirements and the Internal Audit Charter.

- 3.2 For Brighton & Hove “senior management” is the Executive Leadership Team (ELT) and the board is the Audit & Standards Committee.
- 3.3 A copy of the Internal Audit and Counter Fraud Strategy and Annual Plan 2018/19 is included as Appendix 1.
- 3.4 The development of the annual plan involves extensive consultation with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and risk focussed. For 2018/19 the plan composes 1,579 days.
- 3.5 The Committee is asked to note the changes to the performance management information on tracking medium priority actions as detailed in paragraph 2.5 of Appendix 1.
- 3.6 The strategy which accompanies the schedule of audits details the priorities for delivering an effective internal audit and counter fraud service together with details of the quality assurance and performance management arrangements for the coming year.
- 3.7 The Internal Audit Charter describes the purpose, authority and responsibilities on internal audit, its statutory basis and the standards which underpin best practice.
- 3.8 The service’s Reporting and Escalation Policy has also been included to explain the framework in place for reporting the results of internal audit work. It also details requirements for reporting to the Audit and Standards Committee and following up on audits when adverse audit opinions have been given.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The 2018/19 audit plan will be delivered in partnership with our colleagues from East Sussex County Council and Surrey County Council as part of the Orbis partnership. A restructure of the service is currently taking place to complete the transition to a unified service. The service will retain a sovereign team of staff based at Brighton & Hove City Council supplemented by two specialist team (ICT and Corporate Fraud) who will undertake audit work across the Orbis partnership.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The process of compiling the Internal Audit Plan has involved substantial consultations with key stakeholders, including with members of ELT, other heads of service and senior management.

6. CONCLUSION

- 6.1 The Internal Audit and Corporate Fraud Plan, attached at appendix 1, sets out proposals for maintaining an adequate and effective system of internal audit for 2018/19. The Committee is recommended to approve it.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 It is expected that the 2018/19 Internal Audit plan will be delivered within the planned budget for 2018/19 approved at Budget Council.
- 7.2 The strategy and plan and action taken in line with recommendations from audits support the robustness and resilience of the council's practices and procedures and support the council's overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 08/03/2018

Legal Implications:

- 7.3 This report sets out the council's plan for conforming with Regulation 5 of the Accounts and Audit Regulations 2015. This requires the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.' It is within the delegated authority of the Audit and Standards Committee to approve the Plan.

Lawyer Consulted: Victoria Simpson

Date: 09/03/18

Equalities Implications:

- 7.4 Not applicable.

Sustainability Implications:

- 7.5 Not applicable

Any Other Significant Implications:

- 7.6 None.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit and Corporate Fraud Strategy and Plan 2018/19

Documents in Members' Rooms

None

Background Documents

None

Internal Audit and Counter Fraud Strategy and Annual Plan 2018-2019

1. Role of Internal Audit

1.1 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

1.2 The full role and scope of the Council’s Internal Audit Service is set out within the Internal Audit Charter (Appendix B).

2. Risk Assessment and Audit Planning

2.1 The City Council’s Internal Audit Strategy and Annual Audit Plan is updated annually and is based on a number of factors, especially management’s assessment of risk (including that set out within the directorate and strategic risk registers) and our own risk assessment of the Council’s major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 The update of the annual plan for 2018/19 has involved extensive consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual directorates and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, every effort has been made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2018/19 audit planning process:



2.4 In producing the audit plan (which is set out in detail in Appendix A to this report) the following key principles continue to be applied:

- All key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in 'minimal assurance' audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions. This will also include, where deemed necessary, reviews of audits that previously had a 'partial assurance' opinion or where the area under review is considered to be of a higher risk nature.
- Where practical audits will always be either aligned to strategic risks, or the individual audits will take account of these strategic risks in their scoping and delivery.

2.5 In addition, formal action tracking arrangements are in place to monitor the implementation by management of all individual high risk actions, with the results of this work reported to the Audit and Standards Committee on a quarterly basis. For Brighton and Hove City Council this is a departure from the 2017/18 arrangements which also included the monitoring and reporting of medium priority actions. This change has been made in order to maximise and prioritise limited audit resources on evaluating new risks and controls rather than the tracking of previous actions, which is properly the responsibility of service management. A copy of Internal Audit's Reporting and Escalation Policy is attached as Appendix C.

2.6 During the last two years, Surrey County Council, East Sussex County Council and Brighton and Hove City Council have been working together to develop and form the Orbis Partnership, covering a range of business services, including internal audit. This work has resulted in the formation of a single, integrated internal audit service from April 2018, involving three locality based teams supported by two specialist teams in the areas of ICT audit and counter fraud. It is our ambition that this will provide greater resilience and capacity for our partner councils whilst also building on existing high quality services.

3. Key Issues

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. In order to respond to the continued reduction in financial resources and the increased demand for services, the Council needs to consider some radical changes to its service offer in many areas.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2018/19, a number of major organisational initiatives are featured within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include:

- the Waterfront Project
- the Staff Wellbeing Project
- the procurement of the new housing management system (replacement for OHMS)
- the procurement of the new care management system. (replacement for Carefirst).

3.3 In recognition that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2018/19 audit plan includes a proportion of time classified as 'Emerging Risks'. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

3.4 In view of the above, Internal Audit will continue to work closely with senior management and Members throughout the year to identify any new risks and to agree how and where audit resources can be utilised to best effect.

3.5 Other priority areas identified for inclusion within the audit plan include:

- A follow-up on the City Clean 2017/18 minimal assurance report.
- An audit of the Strategy Investment Strategy (Strategic Risk number 23)
- A review of the Councils Housing Allocations process.
- Review of compliance with the General Data Protection Regulations (GDPR)

3.6 For 2018/19 it is proposed that update reports will be based on the work completed in the preceding quarter of the year. As per previous practice, these reports will include progress on the plan to date plus a summary narrative detailing the key findings and conclusions of the audits finalised since the last report to the Committee.

4. Counter Fraud

4.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

4.2 The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

4.3 In addition, Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud. Through the work of the Counter Fraud Team, Internal Audit will maintain a fraud risk assessment and deliver a programme of proactive and reactive counter fraud services to help ensure that the Council continues to protect its services from fraud loss.

4.4 Significant resources continue to be provided (250 days) to support the Council's strategy to prevent and address housing tenancy and right to buy fraud. For 2018/19 a key target is to return 20 properties to the Council's stock where the tenant has illegally sublet the property or for other reasons has been found not to hold a legitimate tenancy.

5. Matching Audit Needs to Resources

5.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on

the adequacy and effectiveness of the Council’s framework of governance, risk management and control.

5.2 In addition to this, resources have been allocated to the external bodies for whom Orbis Internal Audit also provide internal audit services, at an appropriate charge. These include Horsham District Council, Elmbridge District Council, East Sussex Fire Authority and South Downs National Park.

5.3 Internal audit activities will be delivered by a range of staff from across the Orbis Internal Audit Service, maximising the value from a wide range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the team, mainly in highly technical areas, externally provided specialist resources will continue to be utilised.

5.4 The following table summarises the level of audit resources expected to be available for Brighton & Hove in 2018/19 (expressed in days), compared to the equivalent number of planned days in 2017/18. Whilst the overall level of resource has reduced for 2018/19, as part of the Internal Audit contribution towards planned organisational savings, it is still considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional¹ standards and to enable the Chief Internal Auditor to provide his annual audit opinion. Any impacts of such a reduction have been mitigated as far as possible through efficiencies and additional resilience offered from the Orbis partnership as explained above.

Table 1: Annual Internal Audit Plan – Planned Days (including counter fraud)

	2016/17	2017/18	2018/19
Planned Days	2,020	1,792	1,579

6. Audit Approach

6.1 The approach of Internal Audit is to use risk based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management’s arrangements for:

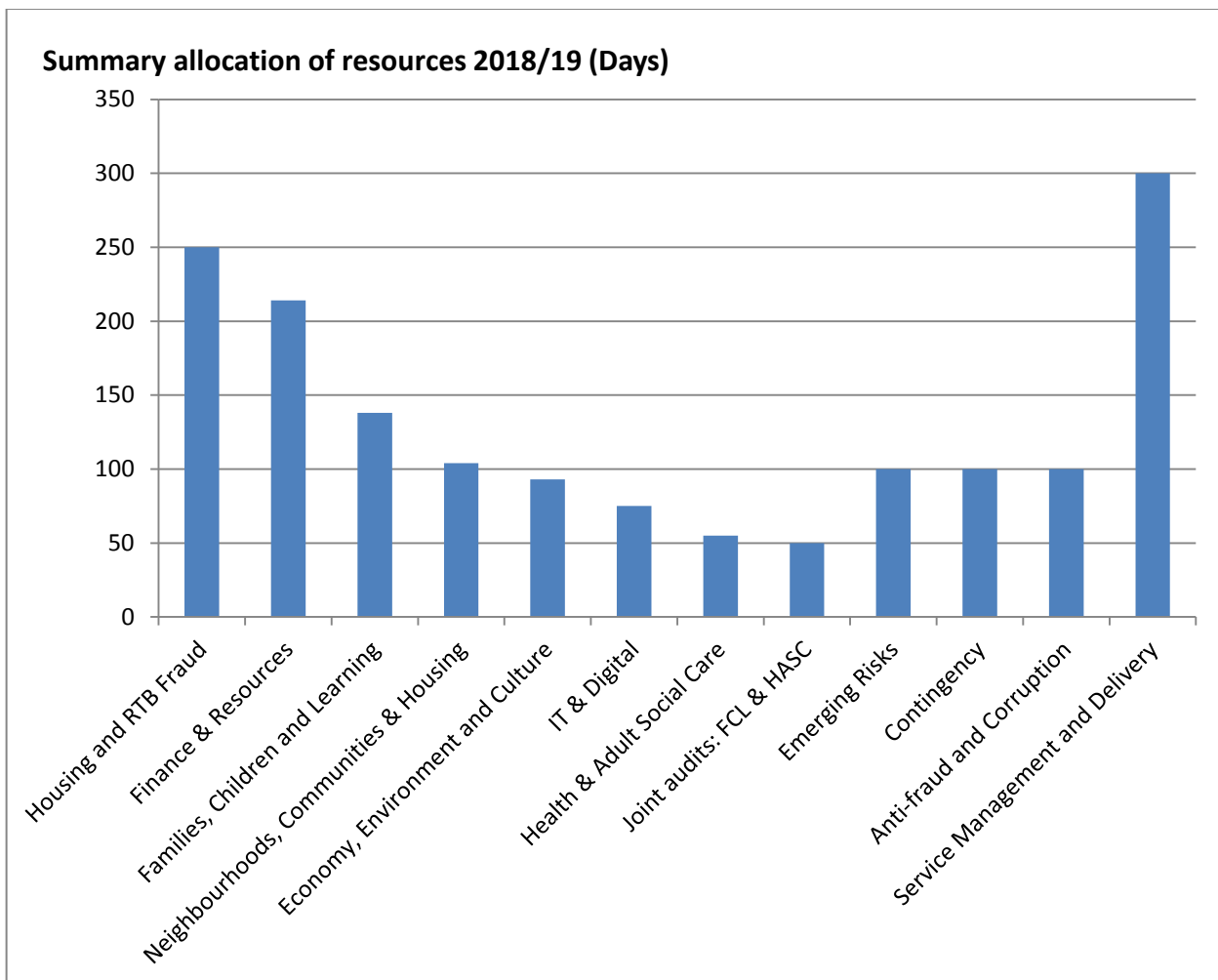
- Achievement of the organisation’s objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

6.2 In addition to these audits, and the advice on controls given on specific development areas which are separately identified within the plan, there are a number of generic areas where there are demands upon Internal Audit, some of which cannot be planned in advance. For this reason, time is built into the plan to cover the following:

¹ Public Sector Internal Audit Standards (PSIAS)

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2017/18 plan;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

6.3 A summary of the allocation of audit resources (days) across the 2018/19 audit plan is set out in the following chart:



6.4 In delivering this strategy and plan the service will liaise with the Council’s external auditors, Grant Thornton, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met.

7. Training and Development

7.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through a

formal performance and development process and are delivered and monitored through on-going management supervision.

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification.

8. Quality and Performance

8.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

8.2 Included within the new Standards is the requirement for the organisation to define the terms 'Board' and 'senior management' in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the Audit and Standards Committee's role as the Board.

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to ELT and the Audit and Standards Committee each year, usually as part of the annual internal audit report. For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

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

8.4 In addition, the performance of Orbis Internal Audit continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in table 2 below.

8.5 At a detailed level each audit assignment is monitored and customer feedback sought. There is also ongoing performance appraisals and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

8.6 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to the Audit and Standards Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.7 Whilst Orbis Internal Audit liaises closely with other internal audit services through the Sussex and Surrey audit and counter fraud groups, the Home Counties Chief Internal Auditors' Group and the County and Unitary Chief Auditors' Network, we are continuing to develop joint working arrangements with other local authority audit teams to help improve resilience and make better use of our collective resources.

Table 2

Aspect of Service	Orbis IA Performance Indicators	Target
Quality	<ul style="list-style-type: none"> Annual Audit Plan agreed by Audit Committee Annual Audit Report and Opinion Satisfaction levels 	<p>By end April</p> <p>To inform AGS 90% satisfied</p>
Productivity and Process Efficiency	<ul style="list-style-type: none"> Audit Plan – completion to draft report stage by 31 March 2019 	90%
Compliance with Professional Standards	<ul style="list-style-type: none"> Public Sector Internal Audit Standards Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	<p>Conforms</p> <p>Conforms</p>
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of management actions agreed in response to audit findings 	95% for high priority
Our Staff	<ul style="list-style-type: none"> Professionally Qualified/Accredited 	80%
Counter Fraud	<ul style="list-style-type: none"> HRA houses returned to stock Blue Badges cancelled Concessionary Travel passes cancelled Overpayments identified £100,000 	<p>20</p> <p>25</p> <p>50</p> <p>£100,000</p>

Russell Banks
Orbis Chief Internal Auditor

Detailed Plan

Neighbourhoods, Communities and Housing	
Review Name	Outline Objective
EU Grant - Sustainable Housing Initiatives in Excluded Neighbourhoods (SHINE)	To provide financial scrutiny and certification of the grant in accordance with the EU First Level Controller requirements.
Disabled Facilities Grant	Review and certification of the Disabled Facilities Grant Claim.
Housing management system procurement.	To provide ongoing review and assurance on the procurement of the new housing management system (replacement for OHMS).
Grants to community and voluntary organisations	An audit of the procedures and controls for the award of grants to community and voluntary organisations.
Housing Allocations	An audit of the processes and the system for the allocation of HRA properties to ensure properties are allocated in accordance with the approved Council policy.
Housing Repairs Contract	An allocation of time set aside for the review of the existing contract and/or the procurement process for the re-letting of this contract.
Temporary Accommodation	A review of the council's temporary accommodation budget including budget management risks and debt recovery.
Housing and RTB	The investigation and prevention of HRA housing fraud, including illegal subletting and the prevention of Right to Buy irregularities.

Finance & Resources	
Review Name	Outline Objective
Payroll	Annual review to ensure controls over payments to staff are accurate and complete and that payments to the HMRC and other bodies are made correctly.
Creditors	Annual review of controls over the accounts payable and creditors systems, to include data analytics on duplicate payments and high risk payment types.
Debtors	An annual review of the general debtors system. To ensure that all accounts are raised accurately and promptly, and that debt recovery processes are working effectively.

Review Name	Outline Objective
Council Tax	To provide assurance that controls over council tax collection are effective. Including billing, collection, recovery and the award of discounts.
NNDR	That controls over business rate collection are effective including billing, collection, recovery and reliefs.
Housing and Council Tax Benefits	Review of HB and Council Tax Reduction controls to ensure that benefits are accurately and promptly paid to those with a legitimate entitlement.
Personal Service Companies and Use of Consultants	An audit to provide assurance that the council complies with HMRC requirements in relation to personal service companies and consultants.
Wellbeing Project	To provide ongoing review and assurance on the Staff Wellbeing Project.
Contract Collusion	To obtain assurance that the council has appropriate processes and controls in place to prevent collusive tendering.
Agency Staff Contract	Review of the council's arrangements for the appointment, management and payment of agency staff under the corporate contract.
Budget Management	Audit of budget management to include the review of budget holder accountability and recovery plans.
Anti-fraud and Corruption	To cover the investigation of fraud and irregularities as well as proactive work including the National Fraud Initiative (NFI) data matching exercise.

Economy, Environment and Culture	
Review Name	Outline Objective
EU Grant - Shaping Climate change Adaptive PlacEs (SCAPE)	To provide financial scrutiny and certification of the grant in accordance with the EU First Level Controller requirements.
EU Grant - SOLARISE	To provide financial scrutiny and certification of the grant in accordance with the EU First Level Controller requirements.
Transport Capital Grants	To check and certify the grant in accordance with the requirements of the Department for Transport.
Waterfront project	To provide ongoing review and assurance on the Waterfront Project, focusing on specific areas of risk to be agreed with management.
On and Off Street Parking	Annual review of income management of on and off street parking including key reconciliations and income monitoring controls.
City Clean Follow-up	Follow-up on the 2017/18 of city clean commercial activities and contracts. To obtain assurance that agreed actions have been implemented, and related risks have been significantly mitigated.

Review Name	Outline Objective
Parking Permits	To provide assurance that processes ensure that permit applications are correctly processed and validated, so that they are only available to those residents who are entitled. This review will include a follow-up of actions agreed as part of previous audits.
Strategy Investment Strategy (Strategic Risk number 23)	To examine the controls that are in place to mitigate the strategic risk relating to the seafront infrastructure, including the processes in place to survey and review the condition of this infrastructure.

IT & Digital	
Review Name	Outline Objective
Mobile Devices Migration.	To obtain assurance on the BHCC migration from the Blackberry solution and to follow-up on the findings of the 17/18 audit review.
IT & Digital Projects	To review the project management arrangements for a sample of high priority IT projects.
System Access Controls	To obtain assurance that access to IT systems is promptly removed when staff leave the council, or take on other roles. This follows up on previous audit work and a corporate project to resolve control weaknesses which is not yet complete.
Third Party Services	To examine the controls over a sample of applications that are externally hosted. To include application controls, data security and business continuity arrangements.
GDPR	To review the council's compliance with GDPR including sample testing of priority areas.

Families, Children and Learning	
Review Name	Outline Objective
EU Grant- Providing Access to Childcare and Employment (PACE)	To provide financial scrutiny and certification of the grant in accordance with the EU First Level Controller requirements.
Troubled Families	To review and certify the council's troubled families grant claims.
School reviews	Allocation to include a sample of individual schools, general advice and the communication of guidance and best practice to schools.
Supported Accommodation	To audit the council's arrangements for providing support accommodation for young people, including an examination of budget pressures.
Care Leavers	A review of the council's arrangements for the support of care leavers (up to the age of 25). Including arrangements for assisting with employment and management of trust funds.
Nursery Services	To review council provided nursery services. To include budget management, high needs, sessional and Bright Start nurseries.

Health & Adult Social Care	
Review Name	Outline Objective
Home Care	To review the key controls over home care service delivery.
Extra Care Housing	To review the operation of the Brooke Mead Extra Care Housing Scheme including alignment to the original project outcomes.
Community Equipment Service	To follow-up on the 2016/17 audit of the community equipment service and contract, including the effectiveness of budget management.

Health & Adult Social Care/ Families, Children and Learning (Joint reviews)	
Review Name	Outline Objective
Care management system reprocurement.	To provide ongoing review and assurance on the procurement of the new care management system. (Replacement for Carefirst)
Learning Disabilities	To review the controls over the provision of learning disability services for adults.
Commissioning Arrangements - Joint Review	An audit of the overall commissioning and contract management arrangements across HASC and FCL.

Service Management & Delivery	
Review Name	Outline Objective
Audit & Fraud Management	Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings.
Client Support & Advice	Ad hoc advice, guidance and support on risk, internal control and governance matters provided to clients and services throughout the year.
Client Service Liaison	Liaison with clients and departmental management teams throughout the year.
Orbits IA Developments	Audit and corporate fraud service developments, including quality improvement and ensuring compliance with Public Sector Internal Audit Standards.
Organisational Management Support	Attendance and ongoing support to organisational management meetings, e.g. Orbis Customer Board, IGB, OGB, Corporate Health and Safety Meetings.
External Liaison	Liaison with external auditors and other external bodies, including attendance at regional and national audit groups and counter fraud hubs.
Audit Committee and other Member Support	Ongoing liaison with Members on internal audit matters and attending Audit Committee meetings and associated pre-meetings.

Review Name	Outline Objective
Audit and Fraud Reporting	Production of periodic reports to management and Audit Committee covering results of all audit and anti-fraud activity.
System Development & admin	Development and administration of Audit and Fraud Management systems.
Action Tracking	Ongoing action tracking and reporting of agreed, high risk actions.
Annual Report and Opinion, Annual Governance Statement	Creation of Annual Report and Opinion / Annual Governance Statement.
Strategy & Annual Audit Planning	Development and production of the Internal Audit Strategy and Annual Audit Plan, including consultation with management and Members.

INTERNAL AUDIT CHARTER

1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be ELT and the board will be the Audit and Standards Committee (described generically in this Charter as the Audit Committee).

The Charter shall be reviewed annually and approved by ELT and the Audit Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

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

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council’s vision, priorities and values.

3. Statutory Requirement

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

These regulations require any officer or Member of the Council to

- make available such documents and records; and
- supply such information and explanations;

as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Council’s Financial Regulations.

In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the

authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

4. Internal Audit Responsibilities and Scope

Annually the Chief Internal Auditor is required to provide to the Audit Committee an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Council.

Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Council risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts

5. Independence

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Chief Internal Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

6. Appointment and Removal of the Chief Internal Auditor

The role of Chief Internal Auditor is a shared appointment across the 3 Orbis partner authorities (East Sussex County Council, Surrey County Council and Brighton & Hove City Council).

In order to ensure organisational independence is achieved, all decisions regarding the appointment and removal of the Chief Internal Auditor will be made following appropriate consultation with Member representatives from each of the authorities' audit committees.

7. Reporting Lines

Regardless of line management arrangements, the Chief Internal Auditor has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor.

The Audit Committee will receive reports on a periodic basis – as agreed with the Chair of the Audit Committee – on the results of audit activity and details of Internal Audit performance including progress on delivering the audit plan.

8. Fraud & Corruption

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will however be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

9. Consultancy Work

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

In order to help services to develop greater understanding of audit work and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provide a specific named contact for each service; and, regular liaison meetings. The arrangements also enable Internal Audit to keep in touch with key developments within services that may impact on its work.

10. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Chief Internal Auditor is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Chief Internal Auditor is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

11. Due Professional Care

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

In carrying out their work, Internal Auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied; and
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

12. Quality Assurance

The Chief Internal Auditor will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the PSIAS is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the PSIAS, including the impact of any such non-

conformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the council's Annual Governance Statement.

February 2018

Internal Audit Reporting and Escalation Policy

February 2018

1. Introduction

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require that internal audit activity must be free from interference in determining the scope of internal audit, performing work and communicating results. Timely and appropriate management responses to internal audit reports enable the Authority to demonstrate that it maintains high standards of internal control and governance in line with control objectives.
- 1.2. This policy will apply to the 3 Orbis Partner Authorities (Surrey County Council, East Sussex County Council and Brighton & Hove City Council). For ease of reference we have used the generic term “Audit Committee” throughout the document, which at the current time refers to the following committee:

Authority	Audit Committee
Surrey County Council	Audit & Governance Committee
East Sussex County Council	Audit, Best Value and Community Services Scrutiny Committee
Brighton & Hove City Council	Audit & Standards Committee

- 1.3. Each Audit Committee will be asked to approve this policy in order to ensure that any concerns are remedied in an appropriate and timely manner.
- 1.4. The policy is designed to provide clarity to all relevant parties over the respective responsibilities and expectations of internal audit.

2. Reporting

- 2.1. With the exception of investigations into alleged irregularities (which are subject to separate arrangements not covered in this policy), the following reporting and escalation arrangements apply to all audit reviews undertaken by internal audit.

3. Draft Report

- 3.1. Following completion of an internal audit, the auditor will produce a draft report, which is issued to the responsible manager (the client). The client will be asked to comment on the factual accuracy of the report.
- 3.2. In this context 'factually accurate' means that the auditor's report (findings and risks) are based on a correct interpretation of the systems or circumstances pertaining to the review.
- 3.3. Where appropriate, an exit meeting is held with the client and other officers. It is during this meeting that key points arising from the audit and factual amendments are discussed and actions agreed. Where possible service actions addressing findings should be captured for inclusion in the report.
- 3.4. The agreement of actions and the accuracy of the report are, in many instances, agreed by email.
- 3.5. Where the audit report opinion is Partial or Minimal, the relevant Director will be provided with a copy of the draft audit report.

4. Escalation Process

- 4.1. Upon receipt of the comments on the draft report, the auditor will consider if the actions therein are appropriate. If the auditor is satisfied that all factual points have been addressed; that the service has no outstanding concerns with the report, and that the agreed actions sufficiently addresses all the findings raised in the audit report, then the final report can be issued.
- 4.2. If a response to the draft report is not returned in a timely manner, or in the auditor's opinion does not adequately address the issues raised, the Chief Internal Auditor or Audit Manager will discuss their concerns with the Head of Service. If that discussion does not result in agreed actions acceptable to internal audit, the issue will be referred to the relevant Director for a decision.
- 4.3. The Director's decision will be either to agree acceptable action on behalf of the Head of Service, which must then be implemented within the agreed timescale, or to accept the position and acknowledge that the Director accepts the risk. Risks tolerated in this manner should be considered for inclusion on the service risk register.
- 4.4. If in the opinion of the Chief Internal Auditor the Director's decision exposes the Council to an unacceptable level of risk, the matter will be referred first to the Section 151 Officer and/or Chief Executive and then to the relevant Audit Committee.
- 4.5. Depending upon the time taken to agree a final report, the Chief Internal Auditor reserves the right to issue the final report without formal agreement and to report the findings and position to the relevant Audit Committee.

5. Escalation to the Chief Internal Auditor

- 5.1. All auditors will ensure the Chief Internal Auditor is provided with a copy of the final report for any audit with an opinion of Partial or Minimal Assurance. Any reports that are considered to be contentious should also be provided to the Chief Internal Auditor.

6. Report Distribution List

- 6.1. The final report should list the officers for whom the report has been prepared. This includes the client, the Head of Service and other key officers as set out in the agreed Terms of Reference.
- 6.2. The audit report is written for the officers named in the distribution list. The Chief Internal Auditor should be consulted before sharing the report any further.

7. Ownership of the Management Action Plan

- 7.1. Whilst agreed actions within the audit report may rest with one or more officers, the Head of Service has overall accountability for responding to the draft report in a timely manner and is required to inform internal audit if timescales are likely to be missed. In assigning their name to the report, Heads of Service are confirming that they accept responsibility for completion of the actions therein.

8. Reporting to Audit Committee

- 8.1. The Chief Internal Auditor will report on all audits completed since the previous meeting to the authority's Audit Committee, summarising the reason for the audit, the key findings, the risks resulting from those findings and the agreed actions.
- 8.2. The Audit Committee then considers whether further information or assurance is required.
- 8.3. Should the Audit Committee require an update on completion of actions for a particular audit, the relevant Head of Service is responsible for informing the Chief Internal Auditor of what actions have been completed or providing an explanation for any delay in, or change to, the action being taken.
- 8.4. A Head of Service may be required to attend the Audit Committee to provide further information or assurance in relation to completed audit activity and to answer any questions on the reasons for the non-completion of agreed action or delays in implementation.

9. Follow up reviews

- 9.1. A formal follow-up review of the progress made in implementing actions agreed within the report may be programmed into the annual Internal Audit Plan at a time the Chief Internal Auditor considers appropriate. A formal follow-up review is typically carried out for audits

that have attracted an audit opinion of “Minimal Assurance” and in some instances where a “Partial Assurance” opinion is provided.

- 9.2. Upon completion of the follow-up review the auditor will report to the responsible officer drawing attention to any actions that have not been completed by the agreed date. A copy of the follow-up report will be sent to the full distribution list.
- 9.3. In addition, the Chief Internal Auditor will provide a regular report to the Audit Committee on progress in implementing actions agreed for audits completed.

10. Audit Opinions and Definitions

- 10.1. The internal audit reports provide the following audit opinions :

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

11. Limitations and Management Responsibilities

- 11.1. The internal audit report explains the limitations placed upon our work and outline the responsibilities of Management:

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management’s responsibilities for the application of sound business practices. We emphasise that it is management’s responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and

fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Subject:	Data Protection Officer designation required by the General Data Protection Regulation		
Date of Meetings:	Audit & Standards Committee: 27th March 2018 Policy, Resources & Growth Committee: 29 th March 2018		
Report of:	Head of Law and Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 29-1500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report is referred to this Committee as well as to the Council's Policy Resources and Growth Committee, this in light of the existence of concurrent delegations in relation to the oversight of the Council's information governance arrangements.

2. RECOMMENDATIONS*Audit & Standards Committee:*

- 2.1 That in response to the requirements of the General Data Protection Regulation, the Committee approve in principle this Council's designation of a statutory Data Protection Officer which Brighton & Hove City Council shares with its fellow founding Orbis partner authorities: East Sussex County Council and Surrey County Council.
- 2.2 That the Committee recommend to Policy, Resources and Growth Committee that the Executive Director – Finance & Resources be given delegated authority to take all steps necessary or incidental to appoint to the above role.
- 2.3 That the Committee recommend that Policy Resources and Growth Committee grant to the Monitoring Officer delegated authority to amend the Council's Constitution so as to include provision in the Scheme of Delegations to Officers for the new statutory Data Protection Officer role.
- 2.4 That in addition, the Committee recommend to Policy Resources and Growth Committee that responsibility for acting as the Council's Senior Information Risk Owner be delegated to the Executive Director – Finance & Resources and that this be reflected in the Scheme of Delegations to Officers.

Policy, Resources & Growth Committee:

- 2.5 That in response to the requirements of the General Data Protection Regulation, the Committee approve in principle this Council's designation of a statutory Data Protection Officer which Brighton & Hove City Council shares with its fellow founding Orbis partner authorities: East Sussex County Council and Surrey County Council.
- 2.6 That Policy, Resources and Growth Committee approve that the Executive Director – Finance & Resources be given delegated authority to take all steps necessary or incidental to appoint to the above role.
- 2.7 That Policy Resources and Growth Committee grant to the Monitoring Officer delegated authority to amend the Council's Constitution so as to include provision in the Scheme of Delegations to Officers for the new statutory Data Protection Officer role.
- 2.8 That Policy Resources and Growth Committee approve that responsibility for acting as the Council's Senior Information Risk Owner be delegated to the Executive Director – Finance & Resources and that this be reflected in the Scheme of Delegations to Officers.

3. CONTEXT & BACKGROUND INFORMATION

- 3.1 On 30th November 2017, Policy Resources & Growth Committee received a written report on the Council's response to the requirements of the General Data Protection Regulation. This detailed a number of proposals for steps to be taken to ensure compliance with a changing and significantly more robust data protection regime and sought capital and revenue budget funding for the range of measures considered necessary to achieve compliance.
- 3.2 The above Committee agreed the recommendations and approved the funding bid, giving delegated authority to the Executive Director – Finance and Resources to take all steps necessary to implement the GDPR strategy. The proposed vision indicated during discussion of the proposals was that the Audit & Standards Committee (which holds concurrent delegations in relation to the Council's information governance arrangements) would scrutinise compliance in this area.
- 3.3 The afore-mentioned report noted the requirement that public authorities designate a statutory Data Protection Officer but did not make specific recommendations in this regard. This was because different options were at that point still being explored.

4. DESIGNATION OF A DATA PROTECTION OFFICER FOR BRIGHTON & HOVE CITY COUNCIL

- 4.1 Article 38 of the General Data Protection Regulation (which is directly applicable in the UK) imposes a mandatory requirement that all public authorities designate a Data Protection Officer ('the DPO'). It provides that 'the data protection officer shall be designated on the basis of professional qualities and, in particular, expert

knowledge of data protection law and practices and the ability to fulfil the tasks referred to in Article 39’.

- 4.2 The DPO’s details must be published, and – although they may be an employee or contractor – they must be supported in carrying out their roles and responsibilities, which are to be executed with independence. The DPO may not be dismissed or penalised for carrying out his or her tasks and must report to the highest management level regarding the detailed range of tasks indicated in article 39. These include providing advice on the lawful performance of the Council’s obligations and monitoring its compliance as well as assisting in the assignment of responsibilities and in relation to data protection impact assessments and acting as contact point with the Information Commissioner’s Office (‘the ICO’).
- 4.3 The term ‘Data Protection Officer’ has been in currency in local government for some term and has historically been used to describe those officers who deal with subject access requests made under the Data Protection Act 1988. However this statutory role is a new requirement for local authorities (and indeed most organisations) and is to be distinguished from that.
- 4.4 Article 38 of the GDPR specifically permits a single Data Protection Officer to be designated for several public bodies or authorities. This has been actively explored as an option by this Council in discussion at officer level with its fellow Orbis partners, Surrey County Council and East Sussex County Council. The increasing alignment of relevant support services including Audit – an alignment which is obviously a key feature of the Orbis project - has informed these proposals. They will offer this Council access to an individual with dedicated expertise and seniority, this via a model which as well as satisfying a key GDPR requirement offers the potential to positively influence the work done by the sovereign Information Governance function, including meeting the need to ensure compliance in terms of our arrangements across Orbis for sharing information.
- 4.5 It is proposed the funding for the joint DPO appointment will be agreed by the Joint Management Board and will reflect an appropriate methodology which is governed by the relative information maturity of the three authorities. There is no bid for funding additional to that which has already been agreed.
- 4.6 This proposal is considered to offer a solution which complies with the requirements of the GDPR in such a way as to inform and benefit this authority’s approach to its information governance arrangements. The shared DPO’s independence will be reinforced by the basis on which they are appointed (ie across the three authorities) and they will moreover be well-placed amongst other things to identify opportunities for any joint work streams which arise while ensuring that their main focus is on deploying their skills, experience and seniority to discharge their statutory functions.

5. THE COUNCIL’S SENIOR INFORMATION RISK OFFICER

5.1 It is considered by the ICO to be good practice for councils to appoint a Senior Information Risk Owner (SIRO) to ensure accountability and effective risk management in relation to information held across the range of the authority's functions. Although this is a non-statutory role, it is considered to be key to ensuring that one of the Council's Chief Officers retains responsibility for maintaining oversight of the Council's ongoing (and continually evolving) use of technology to deliver its functions.

5.2 Currently the SIRO role is fulfilled by this Council's Chief Executive. While it is proposed that the role continue to exist, it is considered that the more logical Chief Officer – as the Executive Director with responsibility for relevant service areas – is the Executive Director – Finance and Resources.

6. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

6.1 Compliance with the requirements of the General Data Protection Regulation is mandatory and – while different models exist for ensuring compliance with the requirement to designate a DPO – the proposals outlined here are recommended.

7. COMMUNITY ENGAGEMENT & CONSULTATION

7.1 No need to consult with the local community has been identified.

8. CONCLUSION

8.1 Members are asked to note the contents of this Report and to review the recommendations which are proposed as a means of ensuring compliance.

9. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

9.1 The Policy Resources and Growth committee meeting on the 30th November 2017 approved funding to support GDPR and the costs associated with the Data Protection Officer will be met from this allocation

Finance Officer Consulted: James Hengeveld

Date: 08/03/2018

Legal Implications:

9.2 These are covered in the body of the Report.

Lawyer Consulted: Victoria Simpson

Date: 26/02/18

Equalities Implications:

9.3 There are no equalities implications arising from this Report

Sustainability Implications:

9.4 There are no sustainability implications arising from this Report

Any Other Significant Implications:

9.5 None

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms:

None

Background Documents:

None

Subject:	Standards Update		
Date of Meeting:	27th March 2018		
Report of:	Head of Law and Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 29-1500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

1.1 This report seeks to update Members on a range of Standards-related matters.

2. RECOMMENDATIONS

2.1 That the Committee note the information provided in the Report on member complaints and on standards-related matters.

2.2 That this Committee agree in principle to the setting-up of a cross-party working group of members, the composition of which to be determined by group leaders, this with a view to inputting into the consultation on the current Local Government Standards regime referred to below.

3. MEMBER-RELATED COMPLAINTS**3.1 Complaint 1**

3.2 The complaint referred to as complaint 5 in the Standards Update provided to this Committee in January 2018 has now been determined by the Monitoring Officer.

3.3 Following consultation with the Independent Person, a decision was made to resolve this complaint informally on the basis that the relevant subject member was minded to apologise via the social media platform on which the conduct complained of occurred. The complainant's views were sought and taken into account before a decision was made to determine the complaint in that way.

3.4 Complaints 2, 3 and 4

3.5 Three other complaints were received in from members of the public regarding three separate councillors: one regarding an exchange on social media and the other two about alleged conduct in relevant councillors' ward(s).

3.6 The three complaints were individually subjected to scrutiny at preliminary assessment stage, following which the Monitoring Officer decided against

formally investigating any of them (this after having consulted with the Independent Person). The decision to take no further action was made on the basis that two of the complaints were not considered to be capable of amounting to a breach of the Code if proven, while it was not considered to be in the public interest on the relevant facts to investigate the third.

3.7 **Complaint 5**

3.8 A further complaint alleging conduct contrary to the Code has been received in and remains at preliminary assessment stage. An update will be provided to this Committee once further progress in relation to it is made.

4. **MEMBER TRAINING: Training for Audit and Standards Committee members on participating in a Standards Panel**

4.1 In January 2018, two training sessions were offered to members of this Committee with the aim of equipping them to participate effectively and in accordance with the procedures followed by Standards Panels at this Council. In the event that there is a need to convene one or more Panels in the future, then those people who have received this training will be appointed.

5. **ENQUIRY INTO CURRENT ARRANGEMENTS FOR DEALING WITH STANDARDS IN LOCAL GOVERNMENT**

5.1 The Committee on Standards in Public Life has published the terms of reference of its planned review of local government standards. It has indicated that it intends to publish its findings and recommendations during 2018.

5.2 The CSPL has highlighted the need for robust standards arrangements to safeguard local democracy, maintain high standards of conduct and to protect ethical practice in local government. The stated aims of the review are to:

- examine the structures, processes and practices in local government in England for:
 - maintaining codes of conduct for local councillors
 - investigating alleged breaches fairly and with due process
 - enforcing codes and imposing sanctions for misconduct
 - declaring interests and managing conflicts of interest
 - whistleblowing
- assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government
- make any recommendations for how they can be improved
- note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation

5.3 While the CSPL are open to submissions from all interested parties, they are particularly interested in the views of local authorities and Standards Committees. The closing date is 18 May and the papers are available here. <https://www.gov.uk/government/consultations/local-government-ethical-standards-stakeholder-consultation>

- 5.4 Members of this Committee will be aware that over time, the arrangements which regulate standards at local authorities have changed significantly. The current legislative requirements were introduced by the Coalition government and provide for a largely locally agreed standards regime which is less prescribed than before.
- 5.5 At the refresher Standards training which took place during 2017, members were invited to discuss the efficacy or otherwise of the arrangements which Brighton & Hove City Council has adopted to tackle any Standards issues which arise. Those members who attended indicated support in general terms for the current arrangements at this authority, which are reviewed regularly in order to ensure that they meet the requirements of the Localism Act in an appropriately light touch yet effective way.
- 5.6 The questions posed by the CSPL are important ones and it may well be that a more outward-focused and wide-ranging discussion involving members of this Council would generate relevant insights. It is therefore suggested that this Committee consider setting up a cross party group to review the questions posed by the CSPL in its review with a view to formulating and submitting a detailed response on behalf of this Committee.

6. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 6.1 The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make arrangements for the investigation of complaints. The current arrangements and the proposals in this Report reflect this. No alternative proposals are suggested.

7. COMMUNITY ENGAGEMENT & CONSULTATION

- 7.1 No need to consult with the local community has been identified.

8. CONCLUSION

- 8.1 Members are asked to note the contents of this Report, which aims to assist the Committee in discharging its responsibilities for overseeing that high standards of conduct are maintained in a way which is compliant with local requirements.

9. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 9.1 There are no additional financial implications arising from the recommendation in this Report. All activity referred to has been, or will be, met from existing budgets.

Finance Officer Consulted: James Hengeveld

Date: 08/03/2018

Legal Implications:

- 9.2 These are covered in the body of the Report.

Lawyer Consulted: Victoria Simpson

Date: 26/02/2018

Equalities Implications:

9.3 There are no equalities implications arising from this Report

Sustainability Implications:

9.4 There are no sustainability implications arising from this Report

Any Other Significant Implications:

9.5 None

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms:

None

Background Documents:

None

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