

# Audit Committee Agenda

**Thursday, 10 March 2022 at 6.00 pm**

Council Chamber, Muriel Matters House, Breeds Place, Hastings, TN34 3UY.  
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Present: Councillors Rankin (Chair), Battley (Vice-Chair), K Beaney, Chowney and Sinden.

**133. APOLOGIES FOR ABSENCE**

Councillor Battley gave apologies for lateness.

**134. DECLARATIONS OF INTEREST**

None received.

**135. MINUTES OF THE LAST MEETING**

**RESOLVED** – that the minutes of the meeting held on 18<sup>th</sup> November 2021 be approved as a true record.

**136. DRAFT TREASURY MANAGEMENT, ANNUAL INVESTMENT STRATEGY AND CAPITAL STRATEGY 2022/23**

The Chief Finance Officer presented a report to consider the draft Treasury Management Strategy, Annual Investment Strategy, Minimum Revenue Provision (MRP) Policy and Capital Strategy and make recommendations to full Council as appropriate. This is to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities prior to the start of the new financial year.

The Council is expected to have some £64.06 million of external debt (as of 31 March 2022), and investments which can fluctuate between £15 million and £30 million in the year. The level of debt is set to increase to some £90.4 million by 2023/24.

The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council continues to make substantial investments in property, housing and energy generation initiatives, and this will continue to involve the Council taking on additional borrowing.

A question was raised regarding the Homes England grant funding for the Bulverhythe housing development and the associated financial risks if planning permission is not granted. In response the Chief Finance Officer said that if planning permission was granted but the Council did not proceed with the project the Council may be liable to repay the grant. However, if planning permission was refused the Council would not have to repay the grant.

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In response to a question regarding the revised net cost of the 2021/22 Capital Programme the Chief Finance Officer said this was partly down to over optimism on project start dates, with some projects slipping into the following year. Some capital expenditure has been revised down as the Council is planning to use a capital receipt to fund some future schemes.

The Chair noted that there are a variety of schemes requiring financing in the 2022/23 Capital Programme, with some debate around the level of risk and merit of individual projects. The Chief Finance Officer noted that the Audit Committee are being asked to agree that the Capital Programme is affordable and manageable within the Council's current strategies. Approval of the recommendations is not necessarily an endorsement of the merits of individual schemes.

### **RESOLVED (by 4 votes for, to 1 against):**

Audit Committee recommends to Cabinet and full Council that:

A. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual investment Strategy and the Capital Strategy.

B. The strategies listed are updated as necessary during 2022/23 in the light changing and emerging risks and the Council's evolving future expenditure plans.

C. The Financial Rules and the Financial Operating Procedures of the Council are reviewed and revised as necessary to meet the requirements of the Code of Practice.

Reasons:

1. The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council continues to make substantial investments in property, housing and energy generation initiatives, and this will continue to involve the Council in taking on additional borrowing.

2. The sums involved are significant and the assumptions made play an important part in determining the annual budget. The CIPFA Treasury Management Code of Practice (2017 Edition), previously adopted by the Council, was released to take account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code has represented best practice and helps ensure compliance with statutory requirements.

3. The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background of historically very low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services, assist in the regeneration of the town, provide additional housing and enhance the long term sustainability of the town. However, over reliance

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on such income streams would involve taking unnecessary risks with the future of the Council and its ability to deliver statutory services.

### **137. CHIEF AUDITOR'S SUMMARY AUDIT AND RISK REPORT**

The Chief Auditor presented a report to inform the Audit Committee of the key findings from the National Fraud Initiative Data Matching Exercise (NFI) - 2020/21.

The purpose of the data matching exercise is to prevent and detect fraud, whilst also identifying potential errors caused by duplicate payments made to suppliers.

The NFI data matching exercise is conducted every two years and compares computer records held by Hastings Borough Council with data from organisations such as the Department for Work and Pensions (DWP), National Health Service, Companies House and other local authorities.

The Chief Auditor informed the Committee that following the exercise the overall assessment was 'A – Good'. Recommendations have been put forward and accepted, with implementation going very well.

A question was raised regarding the high number of matches in the Creditors section. The Chief Auditor said that many of the matches were regarding addresses or similar information, rather than duplicate payments. Out of 431 matches 10 duplicate payments were identified.

The Chief Auditor confirmed that the Council has always been able to recover the money from duplicate payments, with a good amount of money already recovered from the payments identified in the 2020/21 exercise.

The Chair raised the issue of consultant fees and the Chief Auditor confirmed that this will be looked into as part of a HR audit.

A question was raised regarding the reputational risk of duplicate payments. The Chief Auditor said that as this is a two-year exercise there is a risk that suppliers could share that they have been overpaid by the Council, and this is why there is a recommendation that more frequent testing is undertaken in the future. The Chief Finance Officer also confirmed that there will be refresher accuracy training for accountancy staff.

### **RESOLVED (unanimously):**

That the Audit Committee accepts the report.

Reasons:

To monitor levels of control within the organisation.

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(The Chair declared the meeting closed at 7.13pm)

# Minute Annex

## **Managing Director Decision Notice**



In accordance with Rule 26.22 of the Constitution the Managing Director (having carried out a prior risk assessment) made the decision to hold the Audit Committee meeting on 13<sup>th</sup> January 2022 virtually.

The following decision was made in accordance with emergency powers granted to the Managing Director to implement the decisions made at that Audit Committee meeting in consultation with Councillors Rankin, Battley, K Beaney, Sinden and Chowney.

The reasons for the decisions are set out in the Audit Committee minutes for that date.

### **Item 1**

**Report:** Draft Treasury Management, Annual Investment Strategy and Capital Strategy 2022/23

**Report Author:** Peter Grace, Assistant Director, Financial Services and Revenues (Chief Finance Officer)

**Decision Type:** Regulatory Committee

### **Decision:**

**Audit Committee recommends to Cabinet and full Council that:**

**A. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual investment Strategy and the Capital Strategy.**

**B. The strategies listed are updated as necessary during 2022/23 in the light changing and emerging risks and the Council's evolving future expenditure plans.**

**C. The Financial Rules and the Financial Operating Procedures of the Council are reviewed and revised as necessary to meet the requirements of the Code of Practice.**



**The Councillors present voted to approve the recommendations in the report by 4 votes in favour, to 1 against.**

**Item 2**

**Report:** Chief Auditor's Summary Audit and Risk Report

**Report Author:** Tom Davies, Chief Auditor

**Decision Type:** Regulatory Committee

**Decision:**

1. That the Audit Committee accepts the report.

**The Councillors present voted unanimously in favour to approve the recommendations in the report.**

Signed



Jane Hartnell  
Managing Director  
Hastings Borough Council



# Agenda Item 4



**Report To:** Audit Committee

**Date of Meeting:** Thursday, 10 March 2022

**Report Title:** External Audit Progress Report to February 2022

**Report By:** Assistant Director – Financial Services and Revenues (Chief Finance Officer)

**Key Decision:** N

**Classification:** Open

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## Purpose of Report

The purpose of the report is to inform the Audit Committee of External Audit progress to February 2022 and to provide a summary of emerging national issues that may be relevant to you as a local authority.

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## Recommendation(s)

1. To note the report.

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## Reasons for Recommendations

To provide the Audit Committee with a report on progress in delivering their responsibilities as our external auditors.

## Introduction

1. The report that can be found at Appendix A contains information on emerging national issues and developments as well as work progress and the status of key external audit deliverables.
2. It is expected that a senior manager from Grant Thornton will attend the meeting and present the report in more detail.
3. Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
-	-	-	-

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## Wards Affected

(None);

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## Policy Implications

Reading Ease Score: 38.6

Have you used relevant project tools?: n/a

### Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	Y
Environmental Issues & Climate Change	N
Economic/Financial Implications	Y
Human Rights Act	N
Organisational Consequences	N
Local People's Views	N
Anti-Poverty	N
Legal	N

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## Additional Information

Appendix A – Hastings Borough Council Audit Progress Report and Sector Update

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## Officer to Contact

Officer Tom Davies  
Email [tdavies@hastings.gov.uk](mailto:tdavies@hastings.gov.uk)  
Tel 01424 451524

# Hastings Borough Council Audit Progress Report and Sector Update

**Year ending 31 March 2021**

March 2022

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Your key Grant Thornton team members are:

### Darren Wells

Key Audit Partner

T 01293 554120

E [Darren.j.wells@uk.gt.com](mailto:Darren.j.wells@uk.gt.com)

### Richmond Nyarko

Interim Manager

T 0207 728 2280

E [Richmond.n.Nyarko.gt.com](mailto:Richmond.n.Nyarko.gt.com)

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at February 2022

## Financial Statements Audit

### 2019/20 Audit

We shared our final queries with officers in February 2022 and subject to the response to these, we should be in a position to complete the audit by the end of March 2022.

### 2020/21 Audit

We have submitted our request for supporting working papers for the 2020/21 statement of accounts and your officers are currently responding. At the time of writing, officers have responded to 36% of the requested working papers with a further 13% in progress.

Balancing the need for a full suite of working papers to be provided with the availability of the audit team, the audit is likely to start in July with a targeted finish for September.

## Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements.

# Progress at February 2022 (cont.)

## Other areas

### Certification of claims and returns

We have certified the Council's 2020/21 annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). Our work highlighted a small number of issues which we reported to DWP on the 14<sup>th</sup> February 2022.

### Meetings

We continue to liaise with your officers to understand developments at the Council.

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### Events

We invited your officers to attend our Financial Reporting Workshop in January and February 2022. They are designed to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	November 2021	Complete
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the September Audit Committee.	September 2022	Not yet due
<b>Auditors Report</b> This includes the opinion on your financial statements.	September 2022	Not yet due
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money work.	September 2022	Not yet due

2020/21 Audit-related Deliverables	Planned Date	Status
<b>Housing Benefit Subsidy – certification</b> This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	28 February 2022	completed



# Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# FRC report (cont.)

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# What can be learned from Public Interest Reports?– Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

<https://www.granthornton.co.uk/en/insights/lessons-from-recent-public-interest-reports/>

# Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

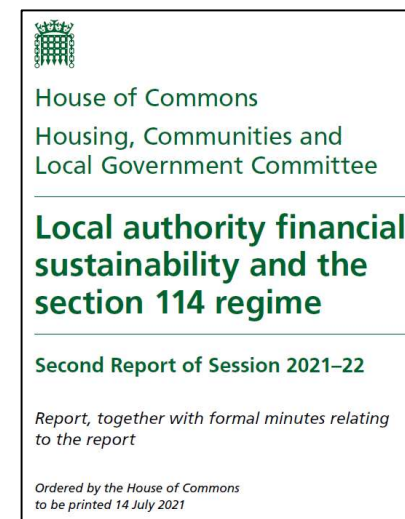
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



# Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September.

This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.

- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.
- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons  
Committee of Public Accounts

**Local auditor reporting on local government in England**

**Eleventh Report of Session 2021–22**



# Guide to support Value for Money (VfM) analysis for public managers – CIPFA

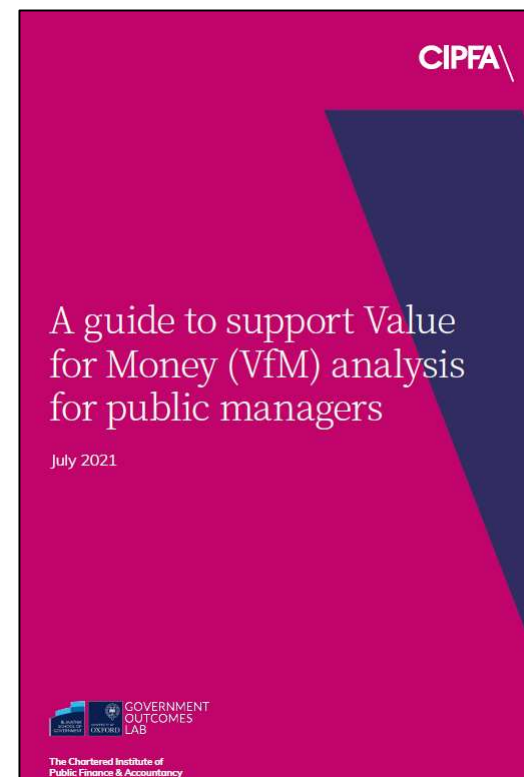
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)



# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

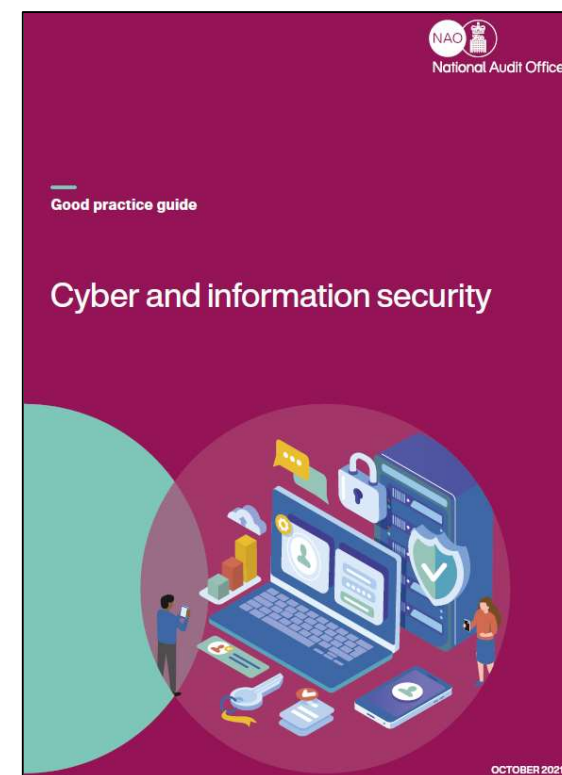
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





# Agenda Item 5



**Report To:** Audit Committee

**Date of Meeting:** Thursday, 10 March 2022

**Report Title:** Homes England Compliance Audit Report 2021/22

**Report By:** Andrew Palmer, Assistant Director Housing and Built Environment

**Key Decision:** N

**Classification:** Open

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## Purpose of Report

To report the outcome of the Homes England compliance audit.

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## Recommendation(s)

1. To acknowledge the contents of the compliance audit report and record this on the Investment Management System (IMS) Compliance Audit System

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## Reasons for Recommendations

1. The council has been subject to a compliance audit by Homes England and now needs to acknowledge the findings of the report.

## Introduction

1. In October 2020, the council secured additional capital and revenue funding through the Next Steps Accommodation Programme to provide move on accommodation for rough sleepers. The fund was administered by Homes England.
2. The council has acquired 4 units, which have now been brought into use as Housing First accommodation.
3. Hastings Borough Council is a Homes England Investment Partner. This means the council can bid for grant funding to support the development of affordable housing. The council has also re-activated its Registered Provider status, which means it can provide affordable housing directly.

## Compliance Audit

4. The scheme was selected for a compliance audit by Homes England. The purpose of the audit is to check grant recipients have met Homes England's policies, procedures and funding conditions.
5. The council appointed Ashdown Hurrey to carry out the audit and report their findings to Homes England. The findings are then reviewed by the Homes England Lead Auditor.

## Judgement Summary

6. The report comments that "on review of the evidence provided, the outcome of the audit has shown the provider has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified".
7. A full copy of the report can be found at Appendix A.
8. The council received the report on 17 January 2022 and must acknowledge the findings within 3 calendar months.

## Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Acknowledge findings of the report	Report recorded on the Homes England IMS	11 March 2022	Strategic Housing and Projects Manager

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## Wards Affected

(All Wards);

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## Policy Implications

Reading Ease Score: 49.3

Have you used relevant project tools?: Y

**Please identify if this report contains any implications for the following:**

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	Y
Environmental Issues & Climate Change	N
Economic/Financial Implications	Y
Human Rights Act	N
Organisational Consequences	Y
Local People's Views	N
Anti-Poverty	Y
Legal	Y

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**Additional Information**

Appendix A – Homes England Compliance Audit Report 2021/22

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**Officer to Contact**

Officer Michael Courts  
Email [mcourts@hastings.gov.uk](mailto:mcourts@hastings.gov.uk)  
Tel 01424 451 315

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## Compliance Audit Report – 2021/22

### 5116 – HASTINGS BOROUGH COUNCIL

Final Grade	Green - Meets requirements
Independent Auditor Organisation	Ashdown Hurrey
Independent Auditor Name	Simon Lawrence

### Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided on page 2 of this document.

Further information is available at: <https://www.gov.uk/guidance/compliance-audit>.

### Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be recorded in the IMS Compliance Audit System by your Compliance Audit Lead on behalf of your Board's Chair or equivalent. Online acknowledgement should be completed within three calendar months of the report email notification being sent.

### Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.

## Compliance Audit Grade Definitions

<b>Green Grade</b>	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report will show that the provider has a satisfactory overall performance but may identify areas where minor improvements are required.
<b>Amber Grade</b>	One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
<b>Red Grade</b>	One or more high level severity breaches identified, the Homes England audit report will show that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.

## Compliance Audit Grade and Judgement

<b>Final Grade</b>	Green - Meets requirements
<b>Judgement Summary</b>	On review of the evidence provided, the outcome of the audit has shown the provider has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified.

## Scheme/Completions details

<b>Scheme ID/ Completion ID</b>	<b>Address/Site ID</b>	<b>Scheme type</b>
1024613	45 Hughenden Road, Hastings, East Sussex, TN34 3TG	Next Steps Accommodation - Capital



## Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	0
Number of High Severity Breaches	0
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	0

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# Agenda Item 7



**Report To:** Audit Committee

**Date of Meeting:** Thursday, 10 March 2022

**Report Title:** Risk Registers

**Report By:** Tom Davies, Chief Auditor

**Key Decision:** N

**Classification:** Open

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## Purpose of Report

The purpose of the report is to inform the Audit Committee of the risks and countermeasures in place for the council.

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## Recommendation(s)

1. To review the risks and comment as appropriate.

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## Reasons for Recommendations

As part of the Corporate Risk Management Strategy agreed by Cabinet, the Risk Registers are to be reviewed by the Audit Committee each year.

## Introduction

1. The (draft) Risk Registers were last presented to Audit Committee on 2 June 2021. They were in a new improved format and the Audit Committee identified a need for Risk Management in the Council.

## Risk Management Training

2. Zurich Risk Management Services (part of our Insurers) provided 3 training sessions during the period November – December 2021. It was funded through an allowance that our Insurer (Zurich) has provided for managing risks. A total of 50 people (staff and councillors) were trained.

3. The objectives of the course were:

**Council Goals:** To understand the importance and relevance of Risk Management in achieving council goals.

**Risk Management:** To gain a high level of overview of Risk Management principles and the Risk Management process. Practical tips for inclusion into the day-to-day management activities,

**Identifying Risks:** Thinking about what risks the sector and the Council are facing.

4. The training was designed to be interactive with various break-out sessions and exercises. It focused on the practical risks facing the sector and placed particular emphasis on the distinction between Issues and Risks (Issues being immediate but Risks being a point in the future (potentially)) and Risk Avoidance vs Risk Mitigation.
5. The training provided a good introduction for attendees who perhaps hadn't received any form of Risk Management training before and also especially, a good refresher to our Risk Management procedures for assessing the level of risks.
6. Now that the course has been delivered, it will be easy to provide again at a more convenient time when there is a perceived need.

## Audit Committee Risk Management Dashboard

7. It is useful and good governance practice for those charged with governance to see an overview of the risks across the whole organisation as well sight of the Strategic Risks and the High Priority Operational Risks.
8. An Audit Committee Risk Management Dashboard showing a helicopter view of all of the High Priority Risks and High Priority Residual Risks (those are red risks even after Risk Avoidance measures) can be seen at Appendix A.
9. Other dashboard reports can be produced in the future, for example, the change in the number of residual red risks from one period to another, if the Audit Committee would find them useful.

## Audit Committee Risk Report

10. The Audit Committee Risk Report can be seen at Appendix B.
11. There has been a new improved procedure introduced recently where a team of senior managers meet monthly to discuss the Risk Registers before they are submitted to CMG for review. The idea is to highlight any Red Risks of concern. Loss of Key Personnel / Experience Housing initiatives costs were highlighted the last time. These are both being managed appropriately.
12. In Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
-	-	-	-

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## Wards Affected

(None);

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## Policy Implications

Reading Ease Score: 45.7

Have you used relevant project tools?: n/a

**Please identify if this report contains any implications for the following:**

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	Y
Environmental Issues & Climate Change	N
Economic/Financial Implications	N
Human Rights Act	N
Organisational Consequences	N
Local People's Views	N
Anti-Poverty	N
Legal	N

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## Additional Information

Appendix A – Audit Committee Risk Management Dashboard

Appendix B – Audit Committee Risk Register

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## Officer to Contact

Officer Tom Davies

Email [tdavies@hastings.gov.uk](mailto:tdavies@hastings.gov.uk)

Tel 01424 451524

# Agenda Item 7a

## AUDIT COMMITTEE RISK MANAGEMENT DASHBOARD

High Priority Risks

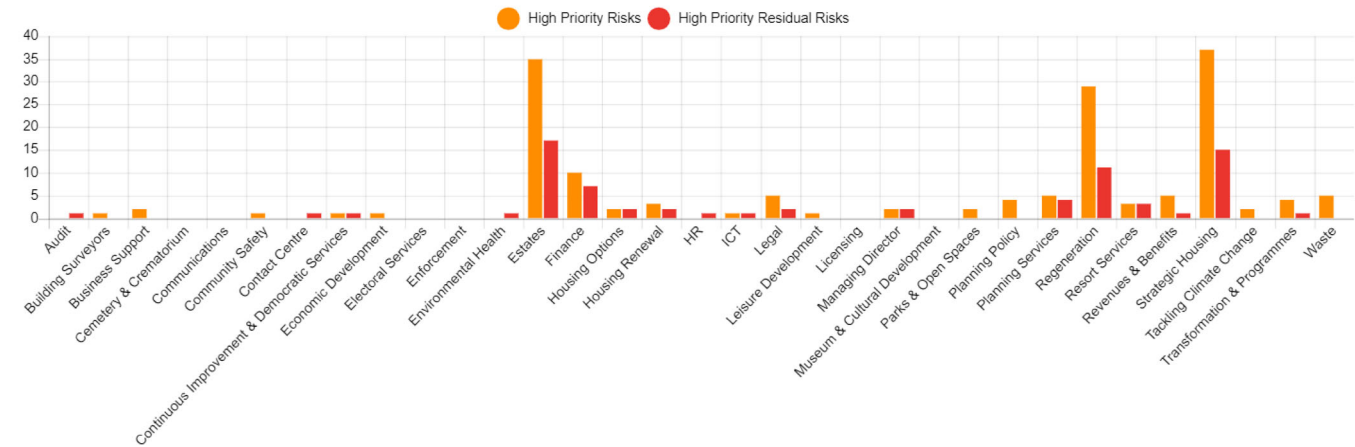
161

High Priority Residual Risks

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RISK SUMMARY BY SERVICE AREA

High Priority and High Residual Risks







# Audit Committee Risk report

	Risk	Sheet Name	Service area	Status	Impact	Financial impact if known	Priority	Counter measures	Residual Priority
1	Housing Benefit or Council Tax Fraud is not identified or rigorously investigated	Audit - RAID log	Audit	Active	Reputation indirectly undermined  Council Tax overpayment does not get recovered and consequent adverse financial impact	n/k	●	- Meetings with DWP or potential escalation if SLA is not being delivered. - Monitoring of feedback from the DWP on referred cases Evolving initiatives mitigating fraud and error	●
2	Systems audit - Risks of not identifying key weaknesses, or threats in a constantly changing risk environment	Audit - RAID log	Audit	Increasing	- Loss of credibility of audit and false assurance	Worst case scenario, a malicious cyber attack would cost something in the low £millions.	●	- Experienced staff - Chief Auditor review of work performed	●
3	Treasury Management - Cost of borrowing  Increased borrowing or an increase in interest rates, plus eligibility to borrow from the Public Works Loan Board	Building Surveyors - RAID log	Building Surveyors	Increasing	£64.689m borrowed at 31 March 2021 Operational borrowing limit £110m in 2021/22 Authorised borrowing limit £115m in 2021/22	Each £1m of new borrowing, financing an asset with a life of 40 years would cost the Council some 5%p.a. (based on a maturity loan with a 2.5% interest rate) i.e. £50,000 p.a.	●	- Use of External Advisers – Link Asset Services - Ensure staff are well trained - Ensure adequate cover - Treasury Management Strategy, Capital Strategy and Treasury Management Practices that are reviewed at least annually  Use of Capital Receipts	●
4	Serious Breaches of Health and Safety legislation.	Environmental Health - RAID log	Environmental Health	Active	Serious Injury/death. Reputational damage. Prosecution. Civil litigation. Financial penalties.		●	Maintenance and implementation of effective health and safety management systems including regular inspections and reviews. Implementation of effective health and safety training and awareness programme. Insurance and reserves	●
5	Duty of care to the Public Negligence in inspecting and maintaining assets  Trees failing / falling  Out of date policies  Failure to ensure fully trained and competent staff  Loss of databases (plus documents stored within them)	Environmental Health - RAID log	Environmental Health	Active	Injury  Claims  Financial impact  Reputation undermined		●	Reviewed insurance cover especially in these areas. Risk assessments and periodic system of inspection in place for all park sites and buildings. Legionella, fire and asbestos risk assessments and controls in place. Regular electrical inspections in place. Programme of asset maintenance work in place to maintain all assets. Policies reviewed regularly. Staff training needs assessed at performance reviews, including Health and Safety updates. Contracts monitored with specific arrangements for H&S reporting via monthly meetings.	●
6	Failure to maintain assets managed by Estates	Estates - RAID log	Estates	Active	Properties fall into disrepair. Unexpected costs	Council contributes £508,000 p.a. to the Renewal and Repairs Reserve. Annual costs continue to exceed the annual provision being made	●	Regular inspections. Adequate budget (R&R). Planned programme of repairs and inspections. However, large unexpected, uninsured events could result on calls to the General Reserve.	●
7	Increase in empty units / major tenant leaves	Estates - RAID log	Estates	Active	- Loss of rental income - Units handed back and difficult to re-let - Increased costs (rates)		●	Maintain satisfactory level of general reserves - Effective advertising - Maintain tenant relationships and get early warning - Maintain an overview of individual businesses and their operating environment - Undertake due diligence prior to letting properties and prior to purchasing new properties with tenant/s in situ	●
8	Tenanted properties not adequately insured	Estates - RAID log	Estates	Active	- Council has to reinstate from own money		●	Insurance reserve - Ensure regular checks on tenanted property Ensure Insurance policies are adequate and in place with reputable insurers and at adequate levels with appropriate deductibles.	●
9	Environmental legislation and HBC's Carbon Reduction commitment - Ability to rent properties - higher EPC ratings will be required in the future	Estates - RAID log	Estates	Active	- Units with an energy rating of F or G can't be let - unless covered by an exemption  - Likely to make regulations for energy rating to be higher minimum in future		●	- Continue to assess and improve energy performance of our buildings and enhance where necessary	●

	Risk	Sheet Name	Service area	Status	Impact	Financial impact if known	Priority	Counter measures	Residual Priority
10	Changes in Central Government policy and legislation e.g. new environmental legislation	Finance - RAID log	Finance	Active	Changes over which the Council has little, or no control will happen. Changes in responsibilities and role of District/Borough Councils. Loss of income. New demands.  Impact on contracts and tendering, reserves and staff resources	New legislation should result in new burdens funding. However funding is often "one off" whilst legislation is ongoing...	●	Play an active role in lobbying Government to ensure the best awareness of District Councils views about key policy agendas via professional bodies and LGA.  Track decisions and consider implications at an early stage to ensure HBC can respond. Project manage implementation of changes, potentially reallocating resources and reprioritising activity if required.	●
11	Treasury Management - Loss of money	Finance - RAID log	Finance	Active	Any loss of money through fraud, investment loss, etc is likely to be significant to the Council whether financially or reputationally. The investigation into cash losses and fraud are time consuming and often complex.	Gross budget £84.6m £15- £40 million invested at any one time, cash collection, electronic payments,	●	- Use of External Advisers – Link Asset Services - Ensure staff are well trained - Ensure adequate cover - Treasury Management Strategy and Treasury Management Practices that are reviewed at least annually - Spread of investments Use of reserves Insurance - Money Policy/ Cash in Transit	●
12	Income streams	Finance - RAID log	Finance	Active	- Budget deficits, Collection Fund Deficits, Bad debts	Reduced income levels due to Covid-19 pandemic. Structural changes in shopping habits will lead to reduced income from shops and potentially offices as market rentals reduce	●	Adequate provisions - Ensure regular budget monitoring reports distributed followed up by meetings - Report variances quarterly through performance review -Active management of properties and services	●
13	Government Funding - Continued lower levels of funding with potentially even more reductions in the years ahead. Fair funding review postponed, Business rate review delayed	Finance - RAID log	Finance	Increasing	Council unable to deliver Corporate Plan objectives and deliver services. Reserves diminish to below minimum recommended levels. Unsustainable budget necessitating reductions in staff and activities and inability to sustain Capital programme.	Budget Deficit of £1.483m in 2021/22, £2.258m in 2022/23 and £2.6m in subsequent years.	●	PIER review - efficiencies/cuts, budget process, medium term financial strategy / plan. Energy generation options being considered which may provide additional income.	●
14	Impact of economic climate , Covid-19, on Income and Expenditure levels	Finance - RAID log	Finance	Increasing	Loss of income. Increased service demand. Corporate regeneration priorities not delivered.	Decreased rental values, increased non payment of Council Tax and business rates, more bad debts, more court action	●	Reprioritisation of service provision ensuring that 'must do' priorities are delivered to 'statutory' levels. Review Corporate regeneration priorities. Adjust the capital spending programme.	●
15	'Brexit' implications	Finance - RAID log	Finance	Increasing	Loss of most/all European Grant Funding  Decline in European visitors or workers  Lost benefits of those European grant funded projects terminated  Medium to long term economic uncertainty  Loss of key industries whose trade is with Europe  New impacts on small/medium businesses in town that trade with EU  Effects on supply chains for capital projects	Supply chain increases costs	●	Government short term guarantee for approved grants  Reserves and potential Government funding depending on requirements  All project financial assessments need to include sufficient contingency to cover potential up costs once tenders are received and projects operational	●

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Risk	Sheet Name	Service area	Status	Impact	Financial impact if known	Priority	Counter measures	Residual Priority
Increased demand for council services (e.g. Housing, Homelessness and associated risks around rough sleeping and Community Safety) because of economic/social deprivation as a consequence of the economic situation, constraints on Public Spending and changes in welfare benefit systems.	Housing Options - RAID log	Housing Options	Active	Increased pressure on HBC services including benefits and homelessness; increased poverty and deprivation; negative impact on community cohesion. Adverse impact on Council Tax collection rate. Less Housing Benefit paid More pressure on DHP fund Migration from London Boroughs. This will impact on homelessness presentations and acceptances, including temporary accommodation usage.			Maintain and widen partnership working, e.g. the successful approach to tackling social issues around street community. Seek appropriate external economic development financial opportunities where the business case justifies and capacity allows  Community Safety Partnership.  Council Tax Our CPF programme directed at advice and support for vulnerable people.  Performance targets for homelessness reviewed and agreed. Additional financial support for prevention measures supported through Discretionary HB payments etc. and new Government funding. Review and monitoring of staff capacity to be carried out mid-year.  New housing and homelessness strategies being developed.  Acquisition programmes for Temporary Accommodation.  Further development of social letting agency.  Development of new housing on council land Local Plan review. Rough sleepers funding programme  Adequate level of reserves to cope with excessive unplanned changes  Reduce or end other non-statutory services to be able to address this priority.	
Failure to secure affordable housing solutions to prevent rising numbers of homeless households.	Housing Options - RAID log	Housing Options	Increasing	•Rise in homeless applications •Increased levels of spending on B&B •Increased levels of rough sleeping and associated ASB •Legal challenges •Reputation undermined	•Rise in the cost of B&B spend		•Regular stakeholder engagement through strategic liaison meetings with main Social Landlords (Optivo & Orbit) Housing and Support Service meetings, Private Landlord forums. •Allocations Policy review •New Housing and Homelessness Strategies introduced •The Housing and Wellbeing Hub reviewed quarterly with Clinical Commissioning Group and associated partners. •Council has adopted a new strategic approach to increasing the supply of affordable housing over the next 5 years •Ongoing work with local and national partners to explore opportunities to reduce demand for emergency accommodation and homelessness services	
Failure to spend Disabled Facilities Grant Funding - HBC receives ring fenced funding to provide adaptations for those with a recognised medical conditions to enable them to stay in their home.	Housing Renewal - RAID log	Housing Renewal	Active	1. Social Impact - under spend means eligible applicants who could benefit from a grant are perhaps not aware and as a result do not benefit from the adaptations that could be made to their home  2. Financial Impact - under spend could have an impact on future funding allocations being reduced			1. Review and amendment of the financial assistance policy to look at expanding discretionary DFG criteria and eligibility  2. Communications Plan - Promotion of DFG funding to raise awareness in the community and partner voluntary and support agencies.	
Failure of IT equipment	ICT - RAID log	ICT	Active	Very serious impact in the short term for all services.			Alternative and back-up services being provided. Regular back-up off-site of data. Servers now 'virtualised'. Other risks mitigated through improved recovery times.	
Risk of a successful legal challenge.	Legal - RAID log	Legal	Active	Financial penalty. Reputational damage.			Access to and provision of timely legal advice at all stages and levels. Legal overview of council activity maintained. Specialist Legal support available if required. Planning Advice appropriately triggered for a response. Maintain high quality Development Control Service	

	Risk	Sheet Name	Service area	Status	Impact	Financial impact if known	Priority	Counter measures	Residual Priority
21	Failure to comply with the General Data Protection Regulation (GDPR)	Legal - RAID log	Legal	Active	Reputation for safeguarding data. Large financial fines imposed.			GDPR policies and procedures in place supported by regular training and review	
22	Leisure Services externally funded projects Reduction of external funding.	Leisure Development - RAID log	Leisure Development	Active	Reduction or loss of services. Reduction or loss of externally funded posts. Failure to meet Physical Activity Strategy targets and public expectations.			We continue to submit external funding applications in order to sustain a range of leisure projects in line with council priorities agreed in the corporate plan.	
23	Failures of child protection. Negligence in maintaining assets. Out of date policies. Failure to ensure fully trained and competent staff .	Leisure Development - RAID log	Leisure Development	Active	Injury Claims Financial impact Reputation undermined			All staff who have unsupervised access to children and vulnerable adults have Enhanced DBS checks in place. Events/activities designed to minimise risk. – ensure wording is right – enhanced DBS? Risk assessments & periodic system of inspection in place for all park sites and buildings. Legionella, fire and asbestos risk assessments & controls in place. Regular electrical inspections in place. Programme of asset maintenance work in place to maintain all assets. Policies reviewed regularly. Staff training needs assessed at performance reviews, including Health & Safety updates. Contracts monitored with specific arrangements for H&S reporting via monthly meetings.  Risk assessments & periodic system of inspection in place for all park sites and buildings, and activities.	
24	Emergency Planning for a Major Emergency in the borough	Managing Director - RAID log	Managing Director	Active	Statutory duty to have appropriate arrangements in place.  Reputational risk if not seen to be managed professionally  Financial risk as resources will need to be used			HBC is an active participant in emergency planning arrangements for Sussex, through membership of the Sussex Resilience Forum, and the East Sussex Resilience and Emergencies Partnership.  Use of SRF generic and tailored emergency plans, and access to training through the SRF and ESREP.  We operate a 365 days a year emergency on call system, so that operational staff, and tactical and strategic managers can be mobilised to liaise with the emergency services if incidents occur in the borough.  Arrangements in place to mobilise emergency assistance centres such as for evacuated residents, and we have recently significantly increased the number of staff volunteers for rest centres, and trained them.	
25	Loss of exhibits and damage to buildings due to theft, damage through fire, vandalism, alarm failure, staff failure.	Museum & Cultural Development - RAID log	Museum & Cultural Development	Active	Financial loss. Loss of service (closure). Cultural loss. Reputation undermined.			Alarm contracts maintained. Standard operating procedures reviewed and updated annually. Emergency plan reviewed annual and updated. Fire Risk Assessment completed and reviewed when there has been a significant change in the environment. Training delivered to staff.	
26	Livestock management at the country park Criminal damage to livestock containment systems resulting in livestock roaming outside of prescribed areas and either injuring themselves or people they come into contact with.	Parks & Open Spaces - RAID log	Parks & Open Spaces	Reducing	Cost of legal action resulting from accident/injury claims. Reputational Damage. Animal welfare concerns.			Careful management of livestock containment. Awareness raising of benefits of how we are managing livestock with people visiting the country park.  Due to continued vandalism, we have replaced the system with a virtual system of fencing that works by identifying fence locations through satellite and computer technology . These virtual fences are flexible and can be changed at any time. The cattle wear collars that respond in a similar way. Trials in the country park are proving to be very successful. There is nothing in this system to vandalise. The council is securing all perimeter fencing to ensure that if the new system fails, cattle will still be retained within the country park.	

	Risk	Sheet Name	Service area	Status	Impact	Financial impact if known	Priority	Counter measures	Residual Priority
27	Error in making a Planning Decision	Planning Services - RAID log	Planning Services	Active	- Financial implications – judicial review, legal cost & compensation - Reputation undermined - irreversible damage Council sued for negligence			Procedures are in place to monitor progress on a number of levels as applications progress. Close supervision of staff by Senior Planners, and the Development Manager facilitated through casework meetings, one to one meetings and checking of delegated and committee reports. Experienced and qualified staff and adequate capacity for the workload. Service reviews on resourcing.	
28	Lose Planning Appeal decision	Planning Services - RAID log	Planning Services	Active	- Reputation undermined - If costs awarded maybe financial implications			Thorough 'post mortem' taken on all lost appeal decisions and learning actions then implemented. Experienced and qualified staff that remain up to date with current guidance and policy through continuing professional development.  Planning Committee Members are trained and understand the consequences of refusing planning consent. A programme of training each quarter is already in place. The quality of decisions to some extent rests on the capacity of each planning officer to spend the right amount of time on each application in order to strengthen arguments and write well justified reports. Positions have been created to address this shortfall. Cllrs have made some poor decisions in 2021, namely 23 Martineau Lane and 777 The ridge. Both decisions are likely to be lost at appeal and may be awarded costs	
29	Deterioration of the Town's image and culture.	Regeneration - RAID log	Regeneration	Active	Town assets include history, culture etc. If a town asset fails then it is a reputational risk for HBC but not strictly within the Council's remit. Additional demands on financial reserves. Adverse impact on tourism. Adverse impact on the local economy.			Planning and Conservation. Enforcement. Attract inward investment through regeneration programme and external funding opportunities to enhance our USP's.  Effective Marketing resources directed to attract new and maintain existing markets.  Work with Police and community safety partners to promote a safe, secure image.  1066 Country Campaign management  New Local Plan process  External Funding opportunities from stronger towns	
30	Marketing & Major Projects Fish Fairs unsuccessful	Regeneration - RAID log	Regeneration	Active	- Reputation undermined - Financial implications	Maximum exposure c£30k/event		Increase level of investment in marketing and management - Regular officer and stakeholder meetings held - Risk assessments undertaken in conjunction with professional colleagues and emergency services Debrief/review after every event, with action taken as necessary	
31	Impact of Covid on the local economy and lack of investment in local business and/or relocation of businesses out of UK because of BREXIT	Regeneration - RAID log	Regeneration	Active	Loss of jobs Closure of key businesses	Impact of COVID assessed in Hastings Town Investment Plan, East Sussex Economic Recovery Plan and other documents.		Full risk mitigation difficult at current time Hopeful that markets will settle and Bank of England supports the economy for businesses. January 2021 - economic uncertainty continues with regard impact of Brexit when the economy starts opening. Grants/Loans to stimulate business investment/retention	

Risk	Sheet Name	Service area	Status	Impact	Financial impact if known	Priority	Counter measures	Residual Priority
32 Downturn in inwards travel from overseas, including language students, post Covid and EU exit	Regeneration - RAID log	Regeneration	Active	Reduced tourism spend Tourism business job losses/closures	Inwards overseas business worth c£75m to Hastings, so significant		We are reviewing visitor economy and need to consider our strategic position as a destination for overseas visitors and language students once Covid position internationally is clearer; this may take some time. The situation remains unclear in February 2022, especially in respect of international, and language student, travel; nationally we are told that the language school business will be around 10% in 2022 of pre-covid levels. Current thinking is that in 2022 we will lose much of the 'forced' additional domestic staycation business we enjoyed in 2021, but will not regain our previous international business, which in 2019 supported 23% of our visitor economy, leading to potentially a 10-12% decline in our tourism business. Customer confidence is still low, especially for inbound tourism from near Europe, our biggest overseas markets.	
33 Flood Risk Management Impact of severe weather. Loss of Government Funding	Resort Services - RAID log	Resort Services	Active	Loss of life Loss of amenity Financial impact			Enhanced / cost effective revenue based maintenance programme to increase timeframe for replacement of flood defences. Alternate funding streams identified via Department for the Environment, Food and Rural Affairs and Environment Agency. Medium Term Plan used effectively and in close liaison with Environment Agency Flood Risk Management Team. The Hastings Flood Plan was reviewed, updated and exercised in 2015/16 and another routine review and update is nearing completion in May 2021.	
Blue Flag and Seaside Award Status - Insufficient resource to meet award criteria resulting in loss of status	Resort Services - RAID log	Resort Services	Active	Reduced tourism spend Tourism business closures Reputational damage Financial losses (parking etc)			Align operation and resources to deliver service in line with award criteria  Seek external funding for projects in line with award criteria – cycle hire/play hut etc. Coordination of public activity to support status  Link to internal projects – DSO, Marine Litter, FLAG etc	
Cliff Railways Mechanical failure.	Resort Services - RAID log	Resort Services	Increasing	Financial impact. Danger to public safety. Loss of amenity. Reputation undermined.			Increase inspection programme and remedial actions. Programme of inspections, testing and maintenance. Staff training and awareness. Local maintenance contract awarded	
36 Unable to clean public conveniences due to weather or staffing issues	Waste - RAID log	Waste	Reducing	Reputation undermined			Worst-case scenario would result in toilets being closed during the period.  Any closure due to adverse weather would have a limited impact, as there would also be a limited demand during such periods. Liability on contractor to ensure continuity of service.	

# Agenda Item 8



**Report To:** Audit Committee

**Date of Meeting:** Thursday, 10 March 2022

**Report Title:** Proposed Internal Audit Plan 2022/23

**Report By:** Tom Davies, Chief Auditor

**Key Decision:** N

**Classification:** Open

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## Purpose of Report

To consider the proposed internal audit plan for 2022/23.

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## Recommendation(s)

1. That the Audit Committee approves the Internal Audit Plan 2022/23

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## Reasons for Recommendations

To ensure that proper financial management arrangements and controls are in place and operating effectively in the Council.

Audit Committee approval of the Internal Audit plan provides clear authority for Internal Audit to discharge the assignments listed therein and enable monitoring of the efficiency and effectiveness of Internal Audit.

## Introduction

1. The audit programme for 2022/23 includes both traditional areas of work and scope for flexibility in a changing work environment.
2. The Strategic and Operational Risk Registers have been referred to.
3. The plan is developed in relation to planning assumptions reviewed annually and made in accordance with available days.
4. The plan is spread across, financial, operational, value for money and computer auditing. Information Communications Technology also periodically receives a Public Service Network (PSN) audit by the Cabinet Office.
5. The specific terms of reference for each audit will be agreed with the relevant Assistant Directors before commencement of each assignment.
6. As in previous years, audit carries out some ad-hoc work, some of which has and will continue to be significant. In 2022/2023, Internal Audit will for example be involved in:
  - CHART
  - Contract Audit of final accounts
  - Museums and Arts grant sign-offs
  - Government Business Grant Assurance work



	Fundamental and Financial Audits	Risk Reviews, Follow-up and Other
April	Local Code of Corporate Governance	NFI Matching – Grant recipients (New)
May	Value for Money	
June	National Non-Domestic Rate (NNDR)	
July		
August	Cash and Bank (including petty cash)	Emerging risks
September		
October	Creditors	Housing Developments – follow up review
November		
December	Extended Internal Audit Standards (IAS) work across all 9 core areas	Follow up of external report recommendations
January		Emerging risks
February		Proactive anti-fraud work
March		Annual Reporting – Annual Governance Statement, Audit Committee Report to Council and Annual Audit Plan

Assignment	Reason	Outline Scope
Local Code of Corporate Governance	Statutory	To completely refresh the Local Code of Corporate Governance
Value for Money	Audit request	To ascertain that services can demonstrate best value and particularly that the tendering procedures are robust.
NFI Matching Grant Recipients (New)	Statutory	Business Grants data has been Matched across the country and the matches need to be investigated.
National Non-Domestic Rate (NNDR)	Cyclical regulatory - Expected by External Audit	Comprehensive programme as per programme carried out in previous years.
Cash and Bank (including Petty Cash)	Cyclical regulatory - Expected by External Audit	Comprehensive programme as per programme carried out in previous years.
NFI national data upload exercise	Statutory	Exercise completed every 2 years.
Creditors	Cyclical regulatory - Expected by External Audit	Comprehensive programme as per programme carried out in previous years.
Housing Developments Follow up review	Audit request	To review new housing initiatives that are in progress.
Follow up of External Report recommendations	Management request	To assess the degree of implementation of accepted recommendations made in the external report received February 2022.

Extended Internal  
Audit Standards  
(IAS) work across  
all 9 core areas

Audit request

Re-instatement of comprehensive  
programme as per programme  
carried out in previous years.

Proactive anti-fraud  
Work

Audit request

A review of our policies and  
practices for preventing, detecting  
and investigating fraud.

## 7. In Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Circulate to auditees to provide ample notice	-	11 March 2022	Chief Auditor

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### Wards Affected

(None);

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### Policy Implications

Reading Ease Score: 29.4

Have you used relevant project tools?: n/a

### Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	Y
Environmental Issues & Climate Change	N
Economic/Financial Implications	Y
Human Rights Act	N
Organisational Consequences	N
Local People's Views	N
Anti-Poverty	N
Legal	N

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## **Additional Information**

The following internal documents were used:

Operational Risk Register  
Planning assumptions  
Cyclical audit frequency document  
Resource planning paper

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## **Officer to Contact**

Officer Tom Davies  
Email [tdavies@hastings.gov.uk](mailto:tdavies@hastings.gov.uk)  
Tel 01424 451524

# Agenda Item 9



**Report To:** Audit Committee

**Date of Meeting:** Thursday, 10 March 2022

**Report Title:** Chief Auditor's Summary Audit and Risk Update Report

**Report By:** Tom Davies, Chief Auditor

**Key Decision:** N

**Classification:** Open

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## Purpose of Report

The purpose of the report is to inform the Audit Committee of progress against the 2021/2022 Internal Audit Plan.

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## Recommendation(s)

1. To note the report.

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## Reasons for Recommendations

Sufficient Internal Audit coverage is necessary to reach an informed 'Head of Internal Audit Opinion' for both the Annual Internal Audit Report from Audit Committee to Council and the Annual Governance Statement.

## Introduction

1. The Annual Internal Audit Plan was approved by the Audit Committee on 2 June 2021. We unfortunately suffered 2 set-backs with external resources that were going to assist us discharge the plan. Back in October 2021 arrangements had been for an Audit Consultant to join us until the end of March 2022 but at the last minute they were offered a permanent position elsewhere which they took. A consortium group then declined our offer of work. However, we have been successful in securing another consortium to assist who are both cost effective and experienced in local authority audit.

## Audits to complete and which are in various stages of progress

Housing Benefit	This is a core audit and has been in progress and on target to complete by 31 March.
National Non-Domestic Rate	This is a core audit and was swapped for another core audit, Treasury Management, that will be carried out by the consortium.
Main Accounting	This is a core audit that will be carried out by the consortium.
Debtors	Core audit and has recently been started.
Payroll	Including evaluation of the cost of consultants, recently started.
PIR of ERP phase 1	Non-core audit but often overseen. Need for it is now superseded by events.

2. There is some other non-core work that is at various stages towards closing down.

## Summary

3. It is imperative that the core audits above are completed so that a supported audit conclusion can be reached. The Internal Audit Plan 2022/23 is especially focused on key financial controls.
4. Timetable of Next Steps

Action	Key milestone	Due date (provisional)	Responsible
Weekly monitoring of progress between Chief Auditor and Chief Finance Officer	-	14 March 2022	Chief Auditor

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## Wards Affected

(None);

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## Policy Implications

Reading Ease Score: 46.4

Have you used relevant project tools?: n/a

**Please identify if this report contains any implications for the following:**

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	Y
Environmental Issues & Climate Change	N
Economic/Financial Implications	N
Human Rights Act	N
Organisational Consequences	N
Local People's Views	N
Anti-Poverty	N
Legal	N

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## Additional Information

Approved Internal Audit Plan: [HBC Report \(moderngov.co.uk\)](https://moderngov.co.uk)

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## Officer to Contact

Officer Tom Davies  
Email [tdavies@hastings.gov.uk](mailto:tdavies@hastings.gov.uk)  
Tel 01424 451524

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