

Informal Joint Performance & Audit Scrutiny Committee



Forest Heath
District Council

Title:	Agenda												
Date:	Thursday 25 May 2017												
Time:	5.00 pm												
Venue:	Conference Chamber West West Suffolk House Western Way, Bury St Edmunds												
Full Members:	<p style="text-align: center;">Chairman Louis Busuttill</p> <p style="text-align: center;">Vice Chairman Colin Noble</p> <p><u>Conservative Members (8)</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Michael Anderson</td> <td style="width: 33%;">Louis Busuttill</td> </tr> <tr> <td>Chris Barker</td> <td>Louise Marston</td> </tr> <tr> <td>John Bloodworth</td> <td>Christine Mason</td> </tr> <tr> <td>Rona Burt</td> <td>Colin Noble</td> </tr> </table> <p><u>West Suffolk Independent (1)</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Simon Cole</td> <td></td> </tr> </table> <p><u>UKIP (1)</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Peter Ridgwell</td> <td></td> </tr> </table>	Michael Anderson	Louis Busuttill	Chris Barker	Louise Marston	John Bloodworth	Christine Mason	Rona Burt	Colin Noble	Simon Cole		Peter Ridgwell	
Michael Anderson	Louis Busuttill												
Chris Barker	Louise Marston												
John Bloodworth	Christine Mason												
Rona Burt	Colin Noble												
Simon Cole													
Peter Ridgwell													
Substitutes:	Named substitutes are not appointed												
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.												
Quorum:	Three Members												
Committee administrator:	Christine Brain Democratic Services Officer (Scrutiny) Tel: 01638 719729 Email: christine.brain@westsuffolk.gov.uk												

5.00pm	Informal discussions with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee on the six substantive items listed under Items 5 to 10 inclusive, to be held in Conference Chamber West .
5.30pm	The formal meeting of the Performance and Audit Scrutiny Committee will commence at 5.30pm or immediately following the conclusions of the informal discussions, whichever is the later, in Conference Chamber East .

All Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee will be in attendance to enable informal discussions on the reports listed in Items 5 to 10 to take place between the two authorities.

COUNCILLORS

Membership subject to approval at Annual Council on 18 May 2017:

Conservative Members (9)	Sarah Broughton Jane Midwood Andrew Smith	Beccy Hopfensperger Karen Richardson Peter Thompson	Betty McLatchy David Roach Patricia Warby
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UKIP Member (1) Barry Robbins

SUBSTITUTES

Conservative Members (3)	Jeremy Farthing	Susan Glossop	Ivor McLatchy
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UKIP Member (1) John Burns

Public Information

Venue:	West Suffolk House Western Way Bury St Edmunds Suffolk, IP33 3YU	Tel: 01284 763233 Email: democratic.services@westsuffolk.gov.uk Web: www.westsuffolk.gov.uk
Access to agenda and reports before the meeting:	Copies of the agenda and reports are open for public inspection at the above address and at Forest Heath District Council, Mildenhall at least five clear days before the meeting. They are also available to view on our website.	
Attendance at meetings:	The 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.	
Public speaking:	<p>Members of the public who live or work in West Suffolk are invited to put one question or statement of not more than three minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within three minutes, the person who asked the question may ask a supplementary question that arises from the reply.</p> <p>A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start.</p> <p>There is an overall time limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.</p>	
Disabled access:	<p>West Suffolk House has facilities for people with mobility impairments including a lift and wheelchair accessible WCs. However in the event of an emergency use of the lift is restricted for health and safety reasons.</p> <p>Visitors parking is at the car park at the front of the building and there are a number of accessible spaces.</p>	
Induction loop:	An Induction loop is available for meetings held in the Conference Chamber and some other meeting rooms.	
Recording of meetings:	<p>The Council may record this meeting and permits members of the public and media to record or broadcast it as well (when the media and public are not lawfully excluded).</p> <p>Any member of the public who attends a meeting and objects to being filmed should advise the Committee Administrator who will instruct that they are not included in the filming.</p>	

Agenda
Procedural Matters
Part 1(A) - Public

- 1. Substitutes**
- 2. Apologies for Absence**
- 3. Minutes** **1 - 8**

To confirm the minutes of the meeting held on 25 January 2017 (copy attached).
- 4. Public Participation**

Members of the public who live or work in Forest Heath are invited to put one question/statement of not more than 3 minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within 3 minutes, the person who asked the question may ask a supplementary question that arises from the reply.

A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start.

There is an overall limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.

(Following the informal discussions held with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee on Items 5 to 10 below, Members are reminded that no further debate shall take place. However, Members are requested to either formally note/resolve/recommend Items 5 to 10 below).
- 5. Internal Audit Charter** **9 - 22**

Report No: **PAS/FH/17/008**
(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/006)
- 6. Internal Audit Annual Report (2016-2017) and Outline Internal Audit Plan (2017-2018)** **23 - 66**

Report No: **PAS/FH/17/009**
(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/007)

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7. Balanced Scorecards Report and Quarter 4 Performance (2016-2017)	67 - 82
Report No: PAS/FH/17/010 <i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/008)</i>	
8. Balanced Scorecards Indicators and Targets for 2017/2018	83 - 96
Report No: PAS/FH/17/011 <i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/009)</i>	
9. West Suffolk Strategic Risk Register Quarterly Report - March 2017	97 - 114
Report No: PAS/FH/17/012 <i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/010)</i>	
10. Work Programme Update	115 - 118
Report No: PAS/FH/17/013 <i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/011)</i>	

Part 1(B) – Public

11. Financial Performance Report Revenue and Capital) Outturn - 2016-2017	119 - 142
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12. Ernst and Young - Certification of Claims and Returns Annual Report (2015-2016)	143 - 154
Report No: PAS/FH/17/015	
13. Ernst and Young - Presentation of the External Audit Plan and Fees 2016-2017 and 2017-2018 Indicative Fees	155 - 182
Report No: PAS/FH/17/016	

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Informal Joint Performance and Audit Scrutiny Committee



**Notes of Informal Discussions held on Wednesday 25 January 2017 at
5.00pm in the Conference Chamber West, West Suffolk House,
Western Way, Bury St Edmunds**

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillors Sarah Broughton, Beccy Hopfensperger, Betty McLatchy, Ivor McLatchy, Jane Midwood, David Nettleton, David Roach, Barry Robbins, Peter Thompson and Patricia Warby.

Forest Heath District Council (FHDC)

Councillor Louis Busuttil
(Chairman for the informal discussions)

Councillors Chris Barker, John Bloodworth, and Christine Mason.

IN ATTENDANCE: SEBC – Councillor Ian Houlder, Portfolio Holder for Resources and Performance

FHDC – Councillor Stephen Edwards, Portfolio Holder for Resources and Performance

Councillor Susan Glossop: Observing

Prior to the formal meeting, at 5.00pm informal discussions took place on the following three items:

- (1) Balanced Scorecards and Quarter 3 Performance Report 2016-2017;
- (2) West Suffolk Strategic Risk Register Quarterly Monitoring Report – December 2016; and
- (3) Work Programme Update.

All Members of Forest Heath District Council's Performance and Audit Scrutiny Committee had been invited to attend West Suffolk House, Bury St Edmunds to enable joint informal discussions on the above reports to take place between the two authorities.

The Chairman of St Edmundsbury's Performance and Audit Scrutiny Committee welcomed all those present to West Suffolk House, Bury St Edmunds and advised on the format of the proceedings for the informal joint discussions and subsequent

separate meetings of each authority, prior to handing over to the Chairman of Forest Heath's Performance and Audit Scrutiny Committee, who would be chairing the informal joint discussions.

Members noted that each Council permitted public participation at their Performance and Audit Scrutiny meetings. Therefore, for the purpose of facilitating these Constitutional requirements, it was proposed that public speaking should be permitted prior to the start of the informal discussions to enable any questions/statements to be considered by both Performance and Audit Scrutiny Committees on items 1 – 3 above. On this occasion however, there were no questions/statements from members of the public.

Each report was then considered in the order listed on each authorities agenda.

1. **Balanced Scorecards Quarter 3 Performance Report 2016-2017**

[Councillor Peter Thompson arrived at 5.05pm during the consideration of this item]

The Business Partner (Resources and Performance) presented the report, which set out the West Suffolk Balanced Scorecards being used to measure the Council's performance for 2016-2017 and an overview of performance against those indicators for the third quarter of 2016-2017. The six balanced scorecards (attached at Appendices A to F) were linked to the Head of Service areas, which presented the third quarter performance.

Most indicators reported performance against an agreed target using a traffic light system with additional commentary provided for performance indicators below optimum performance.

In quarter one, the performance against the "% telephone calls answered" indicators was below target levels across all areas. During quarters two and three the performance against these targets had increased and were getting back towards the levels seen during the 2015-2016 financial year despite call volumes still being higher than comparable periods last financial year.

It was reported that there had been a slight increase corporately in the performance against the indicator "% of non-disputed invoices paid within 30 days" since quarter two. The figure in September 2016 was 87.63%, whereas the December 2016 figure was 93.1%.

The finance and performance team would continue to work with service areas to try and improve performance against this indicator, with monthly business intelligence reports being sent out with details of all invoices processed.

Members considered the report and asked questions. In particular discussions were held on Appendix F (Housing), housing options and the number in Bands A and B. Officers provided the current breakdown for Bands A and B (West Suffolk 897; St Edmundsbury 552; Forest Heath 345). Members asked for future quarterly reports to include a breakdown of the figures showing the split for West Suffolk, St Edmundsbury and Forest Heath in the comments box.

2. **West Suffolk Strategic Risk Register Quarterly Monitoring Report – December 2016**

The Service Manager (Finance and Performance) the quarter three risk register monitoring report for 2016-2017 in respect of the West Suffolk Strategic Risk Register.

The Register was updated regularly by the Risk Management Group and at its recent meeting in December 2016 the Group reviewed the target risk, the risk level where the Council aimed to be, and agreed a current risk assessment. These assessments formed the revised West Suffolk Risk Register (Appendix 1).

Some individual controls or actions had been updated and those which were not ongoing and had been completed by December 2016 had been removed from the Register. There had been no new risks or amendments made to any existing risks or any existing risks closed since the Strategic Risk Register was last report to the Committee.

With regards to the EU Referendum and Britain's exiting of the EU, the Group would continue to monitor the situation as it developed over the next quarter, amending existing and/or adding new risks where necessary. Any changes made would be reported at the next meeting of the Performance and Audit Scrutiny Committee.

Members considered the report and noted that each quarter presented was relatively stable, and raise no issues.

3. **Work Programme Update**

The Head of Resources and Performance presented the report, which provided information on the current status of each Committee's Work Programme for 2017-2018.

Members considered the report and did not raise any issues.

On the conclusion of the informal joint discussions at 5.07 pm, Members of Forest Heath District Council's Performance and Audit Scrutiny Committee withdrew from Conference Chamber West to Conference Chamber East to hold their formal meeting.

The Chairman then formally opened the Forest Heath District Council's Performance and Audit Scrutiny Committee in Conference Chamber East at 5.15 pm.

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Wednesday 25 January 2017** at **5.15 pm** at the **Conference Chamber East, West Suffolk House**, Western Way, Bury St Edmunds, IP33 3YU

Present: **Councillors**

Chairman Louis Busuttil

Chris Barker
John Bloodworth

Simon Cole
Christine Mason

By invitation:

Stephen Edwards, Portfolio Holder for Resources and Performance

129. **Substitutes**

There were no substitutes declared.

130. **Apologies for Absence**

Apologies for absence were received from Councillors Michael Anderson, Rona Burt, Louise Marston and Peter Ridgwell.

Councillor Colin Noble was also unable to attend the meeting.

131. **Minutes**

The minutes of the meeting held on 24 November 2016, were unanimously accepted by the Committee as an accurate record and signed by the Chairman.

132. **Public Participation**

Public participation had been included within the previous informal discussions and there had been no questions/statements from members of the public.

133. **Balanced Scorecards and Quarter 3 Performance 2016-2017 (Report No: PAS/FH/17/001)**

Further to the joint informal discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/17/001.

Members had scrutinised the report, and there being no decision required the Committee **noted** the Council's performance using the Balanced Scorecards for Quarter 3, 2016-2017.

134. **West Suffolk Strategic Risk Register Quarterly Monitoring Report - December 2016 (Report No: PAS/FH/17/002)**

Further to the joint informal discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/17/002.

Members had scrutinised the report and asked questions to which responses were provided.

There being no decision required, the Committee **noted** the contents of the Quarter 3 West Suffolk Strategic Risk Register monitoring report.

135. **Work Programme Update (Report No: PAS/FH/17/003)**

Further to the joint informal discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/17/003.

Members considered the report, and there being no decision required, the Committee **noted** the current status of its Work Programme for 2017-2018.

136. **Financial Performance Report (Revenue and Capital) Quarter 3 - 2016-2017 (Report No: PAS/FH/17/004)**

The Committee received Report No: PAS/FH/17/004, which set out the financial performance for the third quarter of 2016-2017 and forecasted outturn position for 2016-2017.

Attached at Appendix A and B to the report was details of the Council's revenue performance and year end forecasted outturn position. Explanations of the main year end forecast over/(under) spends was set out within paragraph 1.2.3 of the report. Members were requested to note the current position and the significant variances over £25,000 (paragraph 1.2.3). The current forecast position for the year end was expected to be on budget.

Appendix C to the report set out the Council's capital financial position for the first nine months of 2016-2017, which showed expenditure of £19,546,000. Finally, a summary of earmarked reserves was attached at Appendix D, along with the forecast year end position for 2016-2017.

The Resources Team would continue to work with Budget Holders to monitor capital spend and project progress closely for the remainder of the financial year and an updated position would be presented to the Committee on a quarterly basis.

The Committee scrutinised the report in detail and asked a number of questions to which responses were provided. Members were also informed that in relation to the Compostable Collection (Brown Bin), an on-line direct

debit system would shortly be brought in, which would make it easier for residents to subscribe to the service.

There being no decision required, the Committee **noted** the Quarter 3 financial performance and the 2016-2017 year end forecast financial position.

137. **Treasury Management Report 2016-2017 and Investment Activity (April to December 2016) (Report No: PAS/FH/17/006)**

(The Chairman agreed for this item to be brought forward on the agenda)

The Committee received Report No: PAS/FH/17/006, which provided a summary of investment activities for the first nine months of 2016-2017. Full details of treasury management activities during the period were attached at Appendix 1 to the report. It was reported as at 31 December 2016, the Council held £19,755,000 of investments.

Explanations were provided on the under-achievement of interest earned during the period, which was mainly due to the reduction in funds available for investment following the purchase of the Toggam Solar Farm.

Explanations were also provided on the reduced average rate of return during the period, which was due to the reduction in the Bank of England base rate and the resulting reduction of interest rates offered by institutions. Officers also referred to paragraph 10. of the report, where Members were informed of the position with regard to the costs for a proposed redemption of a long term loan.

The Committee scrutinised the Treasury Management Report 2016-2017, and asked questions of Officers to which responses were provided.

It was moved, duly seconded and with the vote being unanimous, it was

RECOMMENDED:

That, subject to the approval of Council, the Treasury Management Report for the period 1 April to 31 December 2016, attached at Appendix 1 to Report No: PAS/FH/17/006, be approved.

138. **Annual Treasury Management and Investment Strategy Statements 2017-2018 (Report No: PAS/FH/17/007)**

(The Chairman agreed for this item to be brought forward on the agenda)

The Committee received Report No: PAS/FH/17/007 which explained that the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management required that, prior to the start of the financial year, the Council formally approved an Annual Treasury Management and Investment Strategy, setting out the Council's Treasury Management Policy and Strategy Statements for the forthcoming year.

The proposed Annual Treasury Management and Investment Strategy Statements for 2017-2018 were attached as Appendix 1 to Report No:

PAS/FH/17/007). The Committee were also advised that no changes had been made to the Credit Rating Definitions (Appendix 2).

The Treasury Management Code of Practice (Appendix 3) had been updated to reflect the proposed Annual Treasury Management and Investment Strategy Statements 2017/2018, as set out in paragraph 2.1 of the report.

A few minor changes had been made to the List of Approved Organisations for Investment during 2016-2017 (Appendix 4) due to credit rating changes and changes to the Top 10 List of Building Societies.

The Committee considered the report and asked questions to which responses were provided.

With the vote being unanimous, it was

RECOMMENDED:

That:-

1. The Annual Treasury Management and Investment Strategy Statements 2017/2018, as contained in Appendix 1 to Report No: PAS/FH/17/007, be adopted.
2. The Treasury Management Code of Practice 2017/2018, as contained in Appendix 3 to Report No PAS/FH/17/007, be approved.

(Councillor Simon Cole joined the meeting at 5.40 pm, following the conclusion of this item)

139. **Delivering a Sustainable Budget Medium Term Financial Strategy 2017-2020 (Report No: PAS/FH/17/005)**

The Committee received Report No: PAS/FH/17/005, which updated Members on progress made towards delivering a balanced budget for 2017-2018 and a sustainable budget in the medium term.

In November 2016, the Committee received Report No: PAS/FH/16/032, which set out the context of the 2016-2017 budget and the MTFs, including details of savings targets, budget assumptions and known pressures for 2017-2020. Report No: PAS/SE/17/005 gave an update on that position.

Additional pressures and progress made to-date in achieving the 2017-2020 savings target, were set out in Table 1 of the report. It was proposed that these be incorporated into the budgets, over and above those items brought to the Committees' attention in November 2016, as part of Report No: PAS/FH/16/032.

It was reported that the Council's pension contribution rate had decreased from 30% to 29% in 2017-2018 following the triennial review, and this had been reflected within the existing salary budgets. Work also continued on the property and projects work packages and would be concluded for the main

Budget and Council Tax Report to Cabinet and Council in February 2017. The aim being to achieve a balanced position across the medium term and to use reserves and one-off budgetary savings, if necessary, to balance the budget in the short term.

The Performance and Audit Scrutiny Committee were asked to support and recommend to Cabinet the inclusion of the proposals, as set out in Table 1, in order to progress securing a balanced budget for 2017-2018 and delivering a sustainable MTFS 2017-2020.

The Committee scrutinised the report in detail and asked a number of questions to which Officers duly responded. In particular, questions were asked with regard to the Additional Reserve Contributions which had been allocated for vehicle renewals and for Asset Management Plan requirements.

The Committee also noted the progress made on delivering a Sustainable Medium Term Financial Strategy 2017-2020.

It was moved, duly seconded and with the vote being unanimous, it was:

RECOMMENDED:

That the proposals, as detailed in Table 1 at paragraph 1.2.1 of Report No: PAS/FH/17/005, be included in order to progress securing a balanced budget for 2017-2018.

The Meeting concluded at 6.09 pm

Signed by:

Chairman

Informal Joint Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Internal Audit Charter	
Report No:	PAS/FH/17/008	
Report to and dates:	Performance and Audit Scrutiny Committee	25 May 2017
Portfolio holder:	Steven Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: steven.edwards@forest-heath.gov.uk	
Lead officer:	Jon Snares Service Manager (Internal Audit) Tel: 01284 757239 Email: jon.snares@westsuffolk.gov.uk	
Purpose of report:	To review and approve an updated version of the Internal Audit Charter included at Appendix A.	
Recommendation:	Performance and Audit Scrutiny Committee: The Committee is RECOMMENDED to approve the revised Internal Audit Charter.	
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:	N/A	

Alternative option(s):		N/A	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
The purpose, authority and responsibility of Internal Audit may not be clearly and formally defined.	Medium	Regular review and approval as necessary of an Internal Audit Charter which conforms to mandatory Standards.	Low
Ward(s) affected:		N/A	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		N/A	
Documents attached:		Appendix A – Internal Audit Charter	

1. Key issues and reasons for recommendation

1.1 Internal Audit Charter

- 1.1.1 The Public Sector Internal Audit Standards (the 'Standards') came into effect in April 2013 and apply to all internal audit service providers. The Standards require organisations to have an Internal Audit Charter that formally defines the purpose, mission, authority, and responsibility of the internal audit activity, and that this is consistent with the Definition of Internal Audit (contained within the Standards), the Code of Ethics and the Standards. Final approval of the document rests with the Performance and Audit Scrutiny Committee.
- 1.1.2 The Internal Audit Charter should be periodically reviewed, to ensure it remains relevant and up to date. The Charter presented at this time has been revised to take into account recent revisions to the Standards, and now includes a mission for the Internal Audit Section and 'Core Principles' for the professional practice of internal auditing.

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CHARTER FOR INTERNAL AUDIT

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (the 'Standards') require that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). This document fulfils that requirement.
- 1.2 The Internal Audit service's vision is to provide an in-house cost effective, proactive, flexible, resilient and quality internal audit service to meet the needs of internal and external stakeholders to the West Suffolk councils.
- 1.3 This charter establishes the Internal Audit activity's position within both councils, including the reporting lines of Internal Audit, access rights, and defines the scope of internal audit activities.

2. Purpose

- 2.1 The Standards define internal auditing 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'.
- 2.2 The Standards also define internal audit's 'Mission', i.e. what it aspires to accomplish within an organisation, as being: 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'
- 2.3 The internal control environment comprises the policies, procedures and operations established to ensure:
 - The achievement of priorities;
 - The appropriate assessment and management of risk;

- The reliability of internal and external reporting and accountability processes;
 - Compliance with applicable regulations and laws;
 - Compliance with the behavioural and ethical standards set for both councils;
 - Economic, effective and efficient use of resources;
 - Safeguarding of both councils' assets and interests; and
 - The prevention of fraud and corruption.
- 2.4 In practical terms, Internal Audit will undertake an examination of financial and non financial systems in order to advise management where internal control systems can be improved, and seek to promote compliance with corporate policies and procedures, and achievement of corporate priorities, through its systematic review of both councils' activities. This does not imply that all systems will be subject to review, but all will be considered as part of the annual risk assessment of auditable areas and hence for review, following the assessment of risk.
- 2.5 Internal Audit may undertake work for new customers by extending its services to third parties including other local authorities and other organisations. If assurances are to be provided to parties outside the organisation this will be agreed between the relevant parties, and may include providing an audit opinion on the area under review.

3. Responsibilities

- 3.1 Management are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their service, and that staff are aware of the processes and procedures required to operate the control systems.
- 3.2 The scope of internal audit applies to all functions and services for which each council is responsible. Internal Audit reviews, appraises and reports on the effectiveness and efficiency of financial and other management controls, including risk management, corporate governance, and arrangements for providing best value for money. This is achieved by undertaking audits and project work across the full range of both councils' functions in accordance with a risk based Audit Plan which outlines assignments to be carried out and the resources and skills required to deliver the plan.
- 3.3 To ensure internal audit resources are focused on areas where they can add maximum value, it is essential that Internal Audit understands the councils' needs, which means developing relationships with key stakeholders, in order to gather ongoing intelligence and gain a crucial insight into the operational and strategic change agendas across both councils.

- 3.4 The Audit Plan is submitted to senior management and the audit committees for consideration and approval. The plan will be kept under review to ensure it remains responsive to changing priorities and risks of the councils, any significant deviation from the approved plan will be communicated to senior management and the audit committee.
- 3.5 The Service Manager (Internal Audit) will share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts. Therefore, where services and other activities for which the councils are responsible or accountable are delivered through partnership or contract, an assessment will be made as to whether Internal Audit staff will undertake assurance work themselves, or may rely on the assurance provided by other auditors where this is already in existence.
- 3.6 At the end of the financial year the Service Manager (Internal Audit) is required to give an annual opinion to each council on the effectiveness of the whole of its internal control system, and the extent to which the council can rely on it.
- 3.7 The Accounts and Audit (England) Regulations 2015 require that councils conduct an annual review of the effectiveness of their system of internal control and produce an Annual Governance Statement. The audit committee will consider the findings of the review and whether an effective internal control system has been established and is being maintained. Internal audit is one of the principal ways in which audit committees can gain assurance on the effectiveness of the control environment, which comprises of risk management, controls and governance.
- 3.8 The Internal Audit section also undertakes other consultancy style work at the request of management, ranging from general financial advice and assistance to involvement in major council initiatives and projects. The Service Manager (Internal Audit) will ensure that before any consultancy work is agreed, his staff have the appropriate skills and resource to undertake that work. Every effort will be made by the Service Manager (Internal Audit) to ensure appropriate safeguards are in place to ensure objectivity in areas subject to future assurance activity. This may include assigning this work, as far as possible and for a reasonable period of time, to a different internal auditor to that carrying out the initial consultancy work, as appropriate.
- 3.9 In addition, Internal Audit may also undertake reviews and investigations into suspected irregularities or fraud, and carries out the financial appraisals of contractors.

4. Standards

- 4.1 There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. For this purpose Internal Audit will comply with: auditing standards as defined in the Public Sector Internal Audit Standards (PSIASs) which replace the Code of Practice for Internal Auditors in Local Government in the UK; the Accounts and Audit Regulations 2015; and any other relevant professional guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA), along with having regard to the Seven Principles of Public Life.
- 4.2 The PSIASs encompass the mandatory elements of the IIA International Professional Practices Framework (IPPF) as follows:
- Definition of Internal Auditing
 - Code of Ethics, and
 - International Standards for the Professional Practice of Internal Auditing.
- 4.3 In addition, Internal Audit also complies with each council's rules and policies as well as external regulations and laws.

5. Relationships

- 5.1 Internal Audit is involved in a wide range of relationships and the quality of these relationships will impact on the quality of the internal audit function and the effective delivery of that function.
- 5.2 The Standards specify that the Charter must define the terms 'Board' and 'Senior Management' for the purpose of the internal audit activity. For the West Suffolk councils the 'Board' is defined as the Performance and Audit Scrutiny Committees while 'Senior Management' is the Leadership Team.
- 5.3 Internal Audit will maintain effective relationships with management. Regular meetings will be held with the Assistant Director Resources and Performance (as the councils' S151 Officer), and senior management (Leadership Team) will be consulted in the annual audit planning process. Timing of audit work will be agreed in conjunction with management.
- 5.4 The Service Manager (Internal Audit) will also maintain an effective working relationship with members, in particular members of the audit committees (the 'Board'). The annual Internal Audit Plan will be formulated in consultation with the audit committees, and be approved by them around the start of the financial year. The Service Manager (Internal Audit) will have the opportunity to meet with the Chairs of the relevant audit committees if desired.

- 5.5 Internal Audit and External Audit will establish a relationship where they may seek to rely on, or take into account, each other's work, subject to the limits determined by their responsibilities (whereas Internal Audit's aim is to assist management the external auditors provide an independent opinion on the annual financial statements). The Service Manager (Internal Audit) will consult with the external auditors when drawing up the annual audit plan.
- 5.6 Internal Audit will also take account of the results and reports from any external inspections when planning and undertaking internal audit work.
- 5.7 Where it is necessary for Internal Audit to work with internal auditors of another local authority, the roles and responsibilities of each will be agreed with the necessary safeguards put in place to ensure they are clearly defined and understood.

6. Reporting

- 6.1 Internal Audit is part of the Resources and Performance Service. The Service Manager (Internal Audit) reports to the Assistant Director (Resources and Performance) as the councils' S151 Officer but has free and unfettered access to the Joint Chief Executive, Directors, and the Chairs of the relevant audit committee and reports in his own name.
- 6.2 The appointment, removal and remuneration of the Service Manager (Internal Audit) is the decision of officers. Such decisions will, however, be reported to Leadership Team and the Performance and Audit Scrutiny Committee, who may request a direct consultation with the Service Manager (Internal Audit) or the Assistant Director (Resources and Performance).
- 6.3 All audit activity is intended to assist management to fulfill their objectives of delivering services and contributing to the overall objectives of the councils. Outputs from audit work can range from informal advice to formal written reports.
- 6.4 Formal reports will communicate the findings of each audit review and encourage management to take prompt action where control weaknesses have been identified (a responsible owner is detailed for each action and a target date for completion). Management are encouraged to give responses to actions, in the unlikely event that an action cannot be agreed, this will be recorded in the action plan with the risk highlighted.
- 6.5 Recommendations made within audit reports will be 'tracked and followed up' in order to ascertain whether agreed actions have been implemented.

- 6.6 Progress reports of work undertaken, including a summary of key audit findings, will be provided regularly to each council's audit committee. The end of year report will provide a summary of the work of Internal Audit during the whole year, information on the performance of the section, and an opinion from the Service Manager (Internal Audit) on the standard of internal control and probity within the councils. This is timed to support the annual review of corporate governance and the production of the Annual Governance Statement.
- 6.7 The Service Manager (Internal Audit) will also ensure that the Joint Chief Executive and Chairs of the relevant audit committees are advised in circumstances where internal audit investigations, reviews, and reports reveal fundamental weaknesses within the organisation, or are relevant in any way to the duty of the Joint Chief Executive.

7. Independence, Objectivity and Accountability

- 7.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Where staff managed by the Service Manager (Internal Audit), or the Service Manager (Internal Audit) himself, have operational responsibilities this, including any impacts on independence or objectivity, will be reported to Leadership Team and the audit committees.
- 7.2 The Service Manager (Internal Audit) has direct, unrestricted access and freedom to report in his own name and without fear or favour to senior management and members of the relevant audit committees.
- 7.3 Internal Audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. There must be no compromise regarding the ability of Internal Audit to provide an independent assurance on the internal control framework.
- 7.4 Accountability for the response to the advice and recommendations made by Internal Audit lies with management, who either accepts and implements the advice or formally rejects it.

8. Proficiency and Due Professional Care

- 8.1 Internal Audit staff are bound by the four main principles of the CIPFA and CIIA Code of Ethics; (1) Integrity; (2) Objectivity; (3) Competence; and (4) Confidentiality.
- 8.2 Internal Audit staff must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

- 8.3 Internal Audit staff must also ensure that they conduct work with due professional care, applying the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care will be appropriate to the objectives, complexity, nature and materiality of the audit being performed.

9. Authority

- 9.1 Internal Audit's statutory authority is derived from Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015.
- 9.2 Internal Audit's role applies to all functions and services for which the councils are responsible. This allows them full, free and unrestricted access to such records, assets, personnel and premises, as necessary for the proper fulfilment of their responsibilities. For those council services provided under contracts and partnership arrangements, rights of access shall be incorporated within all relevant contract or service agreement documents involving council services as appropriate.
- 9.3 Internal Audit's rights of access are stipulated within each council's Constitution.
- 9.4 All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

10. Allocation of Resources and Skills Required

- 10.1 The Internal Audit service is provided in-house in partnership between St Edmundsbury Borough Council and Forest Heath District Council, through a shared service. It also works in partnership with other Suffolk councils, both County and districts, with the aim of reducing costs and maximising quality by for example sharing best practice and joint provision of training courses.
- 10.2 Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives, professional standards and the requirements of external audit. If a situation arises whereby the Service Manager (Internal Audit) concludes that resources are insufficient he must formally report this to the S151 Officer, Joint Chief Executive, and, if the position is not resolved, to the audit committee(s) as appropriate.
- 10.3 Internal auditors need to be properly trained to fulfill their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.
- 10.4 The Service Manager (Internal Audit) is responsible for appointing the staff of the Internal Audit Section and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

10.5 The training and personal development needs of Internal Audit staff are identified through a review process and it is the responsibility of the Service Manager (Internal Audit) to ensure that staff receive the appropriate professional, technical and personal development training.

11. Quality of Service

11.1 Internal Audit operates in accordance with standards of good practice applicable to internal audit to ensure that a continuously effective level of performance is maintained. The Standards require that Internal Audit is subject to a quality assurance and improvement programme that should include both internal and external assessments.

11.2 The Service Manager (Internal Audit) has developed and implemented a quality assurance and improvement programme that covers all aspects of the internal audit activity, which enables conformance with the Definition of Internal Auditing and the Standards to be evaluated, including whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

11.3 Internal review of work standards will be undertaken through a system of managerial review involving the Service Manager (Internal Audit). This will incorporate a review of audit working papers and reports prior to issue and agreement of such reports to relevant management.

11.4 Opinions will be canvassed from management responsible for activities under review to obtain their satisfaction with the Internal Audit service provided.

11.5 Performance indicators will be developed and agreed with senior management and the relevant audit committees to monitor and evaluate the quality of the service provided.

11.6 External audit assesses the work of the section annually to further inform its own view of the control environment.

11.7 The Service Manager (Internal Audit) will communicate to senior management and the audit committees at least annually on the Internal Audit's quality assurance and improvement programme, including results of ongoing internal assessments and any external assessments conducted as applicable.

11.8 The Core Principles for the Professional Practice of Internal Auditing, as set out in the Public Sector Internal Audit Standards, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective all of these Principles should be

present and operating effectively for both internal auditors and the audit service as a whole:

- 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; and
- Promotes organisational improvement.

12. Fraud, Corruption and Bribery

12.1 Managing the risk of fraud, corruption and bribery is the responsibility of management. Internal Audit will assist management in the effective discharge of this responsibility, including investigating suspected frauds and irregularities where appropriate.

12.2 Audit procedures alone, even when performed with due professional care cannot guarantee that fraud, corruption and bribery will be detected. Internal Audit does not have responsibility for the prevention of detection of fraud, corruption or bribery. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud, corruption or bribery.

12.3 The Service Manager (Internal Audit) must be informed of all suspected or detected fraud, corruption or improprieties so they may be considered in terms of the adequacy of the relevant internal controls, and evaluated for the annual opinion on the control environment.

12.4 Any evidence or reasonable suspicions that an irregularity to funds, stores, property or records has occurred should be reported immediately. All cases will be dealt with in accordance with each council's Constitution, the Anti-Fraud and Anti-Corruption Policy, and the Joint Whistleblowing Policy.

13. Conclusion

13.1 This Charter describes the purpose, mission, authority and principal responsibilities of the Internal Audit Service shared across West Suffolk. It is important that it is publicised and that the role of Internal Audit is understood.

13.2 Internal Audit needs to be able to react and adapt to the changes which are taking place locally and nationally. It is therefore important that the Charter is reviewed regularly to ensure that it is

relevant to the demands and responsibilities of the service and to the strategic priorities of both councils.

- 13.3 The Internal Audit Charter will be reviewed each year to confirm it remains accurate and up to date; any significant and necessary changes will be reported to senior management and the audit committees.

Key Contact

Jon Snares - Service Manager (Internal Audit)

Reviewed April 2017

Informal Joint Performance and Audit Scrutiny Committee



Title of Report:	Internal Audit Annual Report 2016/17 and Outline Internal Audit Plan 2017/18	
Report No:	PAS/FH/17/009	
Report to and date:	Performance and Audit Scrutiny Committee	25 May 2017
Portfolio holder:	Steven Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: steven.edwards@forest-heath.gov.uk	
Lead officer:	Jon Snares Service Manager (Internal Audit) Tel: 01284 757239 Email: jon.snares@westsuffolk.gov.uk	
Purpose of report:	To provide members with: <ul style="list-style-type: none"> • an overview of the work carried out by Internal Audit for the year ended 31 March 2017; and • the proposed Outline Internal Audit Plan for 2017/18. 	

Recommendation:	Performance and Audit Scrutiny Committee: It is RECOMMENDED that: (1) the contents of the Annual Internal Audit Report for 2016/17 (Appendix A) are <u>noted</u>; (2) the conclusion drawn in respect of the annual review of the effectiveness of internal audit is <u>endorsed</u>; (3) the Internal Audit Plan for 2017/18 (Appendix C) be <u>approved</u>; and (4) the contents of the Managing the Risk of Fraud, Theft and Corruption Report (Appendix D) are <u>noted</u>.
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>
Consultation:	<ul style="list-style-type: none"> • The Internal Audit Plan has been compiled in consultation with the Assistant Director Resources and Performance (as S151 Officer), Leadership Team, Service Managers, and the external auditors; and • Consultation with key officers is also carried out during the audit process and in the production of individual internal audit reports and follow up work.
Alternative option(s):	N/A
Implications:	
<i>Are there any financial implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •

Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Internal controls within the council may not be efficient and effective and as a result the council may not be identifying significant weaknesses that could impact on the achievement of the council's priorities and/or lead to fraud, financial loss or inefficiency.	Medium	Members receive and approve the Internal Audit Plan and receive a progress report during the year. External Audit reviews the work of Internal Audit and internal control arrangements.	Low
Ward(s) affected:		N/A	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		N/A	
Documents attached:		<p>Appendix A – Internal Audit Annual Report 2016/17</p> <p>Appendix B - Performance and Audit Scrutiny Committee and Internal Audit Checklists</p> <p>Appendix C – Outline Internal Audit Plan 2017/18</p> <p>Appendix D – Managing the Risk of Fraud, Theft and Corruption Report</p> <p>Appendix E – Summary of Audit Reports Issued</p>	

1. Key issues and reasons for recommendation

1.1 Background Information

1.1.1 Internal auditing is an independent and objective assurance and consultancy function 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 Annual Internal Audit Report 2016/17

1.2.1 In accordance with the Public Sector Internal Audit Standards the Service Manager (Internal Audit) is required to provide an annual written report to those charged with governance, timed to support the Annual Governance Statement, which includes an opinion on the adequacy and effectiveness of the councils' framework of risk management, control and governance processes. The attached Internal Audit Annual Report (**Appendix A**) summarises the audit work carried out during the year across West Suffolk, presenting an opinion based upon the work performed.

1.3 Review of the Effectiveness of Internal Audit

1.3.1 The Accounts and Audit Regulations 2015 require the councils 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 or guidance. This report sets out evidence which the Performance and Audit Scrutiny Committees can look to rely on when reviewing whether internal audit is effective, including relevant completed checklists at **Appendix B**.

1.4 Internal Audit Plan 2017/18

1.4.1 In accordance with the Public Sector Internal Audit Standards an Audit Plan (**Appendix C**) has been prepared covering a period of one year. The work of Internal Audit is based upon this Plan which is prepared after consulting with stakeholders, including the Assistant Director Resources and Performance (as S151 Officer), Leadership Team, Service Managers, and the external auditors.

1.5 Managing the Risk of Fraud, Theft and Corruption Report

1.5.1 Fraud, theft and corruption are an ever present threat to the resources available in the public sector. The purpose of this report (**Appendix D**) is to demonstrate the councils' progress in developing and maintaining an anti-fraud and anti-corruption culture and publicise the action taken where fraud or misconduct have been identified.

INTERNAL AUDIT

Annual Internal Audit Report 2016/17 and Internal Audit Plan 2017/18

1. Background

- 1.1 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2015 which requires a local authority 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 or guidance'.
- 1.2 The Public Sector Internal Auditing Standards (the Standards) require the Service Manager (Internal Audit) to report periodically to senior management and the Performance and Audit Scrutiny Committee on Internal Audit's purpose, authority and responsibility and performance relative to its Audit Plan. Also, the Service Manager (Internal Audit) continues to establish a risk-based plan to determine the priorities of the internal audit activity consistent with both councils' priorities.

2. Reporting to Senior Management and the Performance and Audit Scrutiny Committee

2.1 Organisational Independence

- 2.1.1 The Standards require Internal Audit to confirm to the Performance and Audit Scrutiny Committee, at least annually, the organisational independence of the audit activity. Internal Audit effectively achieves this through the Performance and Audit Scrutiny Committee's involvement in the following:
 - approval of the risk-based internal audit plan;
 - receiving communications from the Service Manager (Internal Audit) on the internal audit activity relative to the audit plan and other matters; and
 - approval of the internal audit charter as and when required, but not necessarily annually.
- 2.1.2 As further demonstration of organisational independence, the Service Manager (Internal Audit) can confirm that there has been no inappropriate scope or resource limitations placed upon him.

2.2 Performance against the 2016/17 Audit Plan

Fundamental Systems Audits

2.2.1 During 2016/17, all of the fundamental systems audits included within the audit plan were completed. An overview of the conclusions and main findings of each audit, together with a brief summary of progress made, is provided at **Appendix E**.

Corporate Consultancy Work

2.2.2 In addition to continuing to perform the usual statutory fundamental systems audits, and other audit responsibilities, Internal Audit has continued to assist with corporate or consultancy style work. This enables early audit input to activities which can often help to prevent, or bring early resolution to, internal control issues, and also bring audit skills and increase available resource, on significant corporate projects. Work we have been, or are currently, engaged in includes:

- production of the West Suffolk Annual Governance Statement and its associated documents;
- West Suffolk Strategic Risk Register;
- information governance;
- records management;
- input to corporate projects such as the Medium Term Financial Strategy (MTFS) Income and Contracts work streams;
- conducting a 'health check' of the electoral administration processes across West Suffolk;
- undertaking a number of pieces of work requested by the Operations service including reviewing, advising, and providing guidance on the use of fuel cards, and mobile CCTV cameras; reviewing the efficiency of the Fleet service area's financial processes; and reviewing guidance in respect of use of the councils' pool cars; and a process improvement exercise reviewing the fly tipping process;
- performing the Project Assurance role for the Mildenhall Hub Project and in doing so, consider for each stage of the project whether it is on track and in accordance with agreed governance;
- other work on behalf of the Assistant Director (Resources and Performance) including financial due diligence related to areas of potential council investment.

Fee Earning Work

2.2.3 Internal Audit continued to undertake fee earning work during the year, amounting to approximately £30k of income. This consisted of the following:

- work on behalf of East Cambridgeshire District Council as part of the agreement in place whereby West Suffolk provides that council with internal audit resources to assist in completion of their annual audit plan;
- audit of the council tax, non-domestic rates, and housing and council tax benefits systems at the Anglia Revenues Partnership (ARP) on behalf of East Cambridgeshire District Council (this is in addition to the work referred to above) and Breckland Council; and
- fee earning grant certification work for Suffolk County Council to provide assurance to the Department for Business Innovation & Skills (New Anglia Growth Hub Funding and Employer Ownership Grant Scheme), Trading Standards Institute (Safety at Ports and Borders Team and Single Point of Contact for Border Controls), also, the New Anglia Local Enterprise Partnership (Eastern Agritech Growth Initiative), along with Cambridgeshire County Council (Regional Growth Fund) that the conditions of the specific grant determinations have been complied with.

2.2.4 As mentioned above (paragraph 2.2.3 refers) the West Suffolk Internal Audit Team currently undertakes the council tax, housing benefit and non-domestic rates reviews for Breckland Council, East Cambridgeshire District Council, Forest Heath District Council and St Edmundsbury Borough Council. Now that Waveney District Council, Suffolk Coastal District Council and Fenland District Council have joined the Anglia Revenues Partnership (ARP), discussions are taking place to determine the future internal auditing arrangements at ARP from 2017/18.

2.2.5 During 2016/17 Internal Audit has also responded to 70 requests for financial vetting or other financial due diligence including assessments of organisations' financial suitability to undertake specified contracts for the councils. This has included financial vetting advice in respect of Newmarket Leisure Roofing Refurbishment, Home of Horse Racing Boiler and Kitchen Fit Outs, and industrial units.

2.3 Annual Audit Opinion 2016/17

2.3.1 Internal Audit, having taken into account other internal and external assurance processes of the councils, has an obligation to provide independent, objective assurance from the work undertaken in respect of the effectiveness of the risk management, control and governance processes operating within the councils.

2.3.2 The system of control should help the councils to manage and control the risks which could affect the achievement of the councils' objectives rather than eliminate them completely. Internal Audit and the other assurance processes can therefore only provide within the Annual Governance Statement reasonable and not absolute assurance of adequacy and effectiveness.

2.3.3 **Based upon an independent and objective assessment of the framework of risk management, control and governance processes, Internal Audit can provide reasonable assurance for 2016/17 that the framework has operated adequately and effectively during the year.** This opinion takes into account assurances provided from assurance providers other than Internal Audit, including results of any external inspections undertaken within the year. Information that supports this opinion is included within this report (Appendix A) and also **Appendix E** which gives summary information regarding audits completed within the year.

2.4 Quality Assurance and Improvement Programme

2.4.1 The Standards require that internal audit 'must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity'. This quality assurance and improvement programme is designed to check Internal Audit's conformance with the Standards and the Code of Ethics and also assess its efficiency and effectiveness and identify any areas for improvement.

Quality Assurance and Improvement Programme

2.4.2 Currently, the quality assurance and improvement programme consists of the following elements:

- annual internal self-assessments are undertaken by completing checklists which measure the extent to which Internal Audit is complying with the Public Sector Internal Audit Standards;
- checklists completed in conjunction with the Chairs of the Performance and Audit Scrutiny Committees, covering those committees' view of Internal Audit's role within the authority and Internal Audit's performance;
- a quality review process is undertaken for each individual audit;
- customer satisfaction questionnaires are issued with audit reports for completion by the service area subject to audit; and
- performance against the Audit Plan is measured via two local performance indicators (paragraph 2.4.7 refers).

Annual Internal Self-Assessment

2.4.3 An internal self-assessment against the Standards has been completed to assess compliance. There are eleven standards – these cover internal audit’s role within the council and day-to-day operational practice. The self-assessment has indicated that Internal Audit’s current practices generally conform to the Standards and the Code of Ethics. The Service Manager (Internal Audit) considers this to be an acceptable result as it will always be extremely difficult, and not necessarily beneficial, for small internal audit sections such as West Suffolk to fully conform to these Standards. Some of the areas identified for further consideration and progress made in respect of these include:

- the Standards require an external assessment of Internal Audit to be undertaken at least every 5 years – this remains under consideration but the costs may outweigh the benefits of this;
- further review and update of the Internal Audit working procedures manual – this is an ongoing exercise;
- review and update of the Internal Audit Charter to ensure it reflects current ways of working, good practice, and the expectations of the Standards – this has been fully revised and is presented to this committee for approval; and
- ensure our audit planning approach conforms with expectations in the Standards – our planning approach was revised for the 2017/18 Audit Plan and the results of this are presented to this committee at Appendix C.

Performance and Audit Scrutiny Committee’s Review of Internal Audit’s Role in the Authority and Internal Audit Performance

2.4.4 Checklists have been completed in conjunction with the Chairs of the Performance and Audit Scrutiny Committees to assess compliance with good practice. These checklists are included at **Appendix B** and demonstrate a high degree of compliance with good practice.

Quality Review Process

2.4.5 For each audit undertaken, the Service Manager (Internal Audit) ensures that:

- all Internal Audit working papers are reviewed to ensure that audit work has been performed in accordance with the agreed objectives for that audit, and sensible conclusions have been arrived at and are based on evidence clearly recorded within the audit working papers;
- the draft audit report issued to management at the end of each audit is accurate, clear, concise, includes all relevant findings, conclusions, and a supportable audit opinion, as well as agreed actions with management which are achievable, make sense, and mitigate risks / add value to the service; and
- the quality review process is robust and properly documented to ensure external audit (currently Ernst & Young) are able to place maximum reliance on Internal Audit’s work should they choose to do so.

Customer Satisfaction

- 2.4.6 At the conclusion of each full audit undertaken the relevant service (e.g. Finance, if it is a financial system being audited) is given the opportunity to complete an online customer satisfaction questionnaire and give their view of the quality and usefulness of the audit review undertaken. Services do however generally prefer to give feedback informally during report discussions. Negative feedback is extremely rare and were this to be received the Service Manager (Internal Audit) would discuss this with the relevant service manager with a view to making any necessary improvements for the future.

Local Performance Indicators

- 2.4.7 As mentioned above in paragraph 2.4.2 internal audit performance against the Audit Plan is measured throughout the year, via two local performance indicators, as follows:

(1) The percentage of the planned core financial and information systems audits completed during the year – these audits are an integral part of the annual internal audit opinion which underpins the Annual Governance Statement, and it is these audits on which the external auditors may seek to place reliance or take account of for their work on the annual Statement of Accounts.

100% of planned core systems audits were completed for the year 2016/17

(2) External audit utilisation of internal audit work

The external auditors (Ernst & Young) have confirmed that they continued to take account of the work of Internal Audit during the year.

Assessment of the workings of the Performance and Audit Scrutiny Committee against good practice

- 2.4.8 When looking at the effectiveness of internal audit, this incorporates more than just the Internal Audit section: the Performance and Audit Scrutiny Committee is also a key element of this process.

A checklist has been completed in conjunction with the Chairs of the Performance and Audit Scrutiny Committees reviewing these committees against good practice. Based on these completed checklists, the Service Manager (Internal Audit) has concluded that the function and operation of the Performance and Audit Committees essentially satisfies the key requirements of the good practice document 'Toolkit for Local Authority Audit Committees'. See attached completed checklist at **Appendix B**.

Conclusion on Review of Effectiveness of Internal Audit

2.4.9 The completion of checklists referred to above provides evidence to the Performance and Audit Scrutiny Committees that internal audit is effective and the opinion of the Service Manager (Internal Audit) in this Annual Report can be relied upon as a key source of evidence in the production of the Annual Governance Statement.

3. Internal Audit Plan 2017/18

3.1 The objectives of internal audit are to:

- provide a professional, independent and objective assurance and advisory service that assists the Assistant Director (Resources and Performance) in her statutory duty as Section 151 Officer at both West Suffolk councils to ensure that the finances of each council are properly administered; and
- work with management to improve the operation of the councils.

3.2 The internal audit service is delivered and developed in accordance with the West Suffolk Internal Audit Charter presented to the Performance and Audit Scrutiny Committees along with this Audit Plan.

3.3 In accordance with the Public Sector Internal Audit Standards an annual risk-based Audit Plan has been established. The purpose of the Audit Plan is to provide the framework for internal audit resources, focusing on activity that will make the most difference to achieving West Suffolk priorities. The Audit Plan takes into account the need to produce an annual internal audit opinion for each West Suffolk council, in support of, and taking into account the assurance framework operating at both councils. This annual internal audit opinion underpins the Annual Governance Statement.

3.4 The proposed 2017/18 Audit Plan is provided at **Appendix C** and has been produced based on extensive consultation and discussion with senior management and key officers to ensure it is focused on organisational priorities, key risks, core systems and programmes, and areas where internal audit can effectively contribute to the efficiency and effectiveness of governance, risk management and control processes. Risks contained within the Strategic Risk Register were also considered.

Appendix A

- 3.5 The following criteria were used to risk assess potential audit areas to be included in the Audit Plan:
- materiality – in monetary terms the relative significance or importance of the system or process to the councils;
 - corporate importance – the extent to which the councils depend on the correct running of the system, whether for legal or regulatory requirements or to meet strategic priorities;
 - vulnerability – the extent to which the system or process is liable to breakdown, corruption, loss, error etc;
 - management concerns – direct requests for support; and
 - controls assurance – information taken from previous internal audit work as well as other assurance processes within, and external to, the councils.
- 3.6 The draft Audit Plan includes work under a number of different headings as follows:
- main financial systems
 - added value work
 - corporate and business area risk based audits
 - fraud, irregularity and probity
 - other audit activity to support the audit opinion
 - fee earning
 - other work
- See Appendix C for detailed information.
- 3.7 While every effort will be made to deliver all audits included in the Audit Plan, the need for flexibility in the use of internal audit resources should be recognised so that changing circumstances and emerging risks can be responded to where necessary. The draft Audit Plan as presented at Appendix C therefore represents the Service Manager (Internal Audit)'s current view of how audit resources can be most effectively used – where significant deviations to the plan are required this would be reported to the Performance and Audit Scrutiny Committee as appropriate. Wherever possible, higher risk areas will be given greater priority.
- 3.8 The Service Manager (Internal Audit) will remain alert to emerging local and national issues and risks through a number of channels, including:
- attendance at senior officer meetings including Senior Management Team (Leadership Team and Service Managers), the member and officer Strategic Risk Management Group, staff briefings, feedback from S151 Officer, and networking with other West Suffolk colleagues;
 - regular liaison and meetings with other councils' audit managers within the region;
 - regular liaison and meetings with external audit; and
 - professional reference material, websites, and discussion forums.

Appendix A

- 3.9 This year, alongside the audit planning process Internal Audit commenced an assurance mapping exercise in order to consider whether there is a comprehensive risk and assurance framework operating, with no significant gaps. Through integrating this exercise with the audit planning process Internal Audit are then able to ensure their activities can be targeted, minimise duplication of effort through co-ordinating activities with other management activities, and develop an increased awareness of the West Suffolk wider assurance framework. Where any sources of assurance other than the work contained within this Plan are relied on in forming the annual audit opinion for each council, additional work may be undertaken by Internal Audit where necessary and appropriate to validate these other sources of assurance.

4. Resources

- 4.1 The staff complement of the team is currently 3.6 Full Time Equivalent (FTEs) comprising of the Service Manager Internal Audit (1 FTE), two Senior Auditors (2 FTEs), and an Auditor (0.6 FTE).
- 4.2 The work of the team is clearly influenced by the resources made available by the councils for Internal Audit. For this reason a balance needs to be achieved in terms of keeping costs at a realistic level, focusing resources on activity that will make the most difference to achieving West Suffolk priorities, whilst also ensuring that the level of audit coverage is appropriate and sufficient to enable the Service Manager (Internal Audit) to discharge his duty to provide a robust annual internal audit opinion in support of the West Suffolk Annual Governance Statement.
- 4.3 The Service Manager (Internal Audit) considers that the current Internal Audit staff resource is adequate to fulfil the requirements of this Audit Plan and meet statutory obligations to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.
- 4.4 The skills, knowledge, and experience of internal audit staff have been taken into account when drafting the Audit Plan.

5. Managing the Risk of Fraud, Theft and Corruption

- 5.1 The West Suffolk councils have a sizeable workforce, significant levels of income and expenditure, and provide a variety of services. Despite occasional incidents, probity is judged to remain at a high level.
- 5.2 Managing the risk of theft, fraud and corruption is considered in detail at **Appendix D.**

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Performance and Audit Scrutiny Committees - Self Assessment

Issue	Yes (Y) / No (N) / Partia l (P)	Comments/action
Establishment, Operation and Duties		
Role and Remit		
1. Does the audit committee have written terms of reference?	Y	
2. Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Y	
3. Are the terms of reference approved by the council and reviewed periodically?	Y	
4. Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y	
5. Can the audit committee access other committees and full council as necessary?	Y	Performance and Audit Scrutiny Committee can make recommendations to committees and/or Council and can ask for information from other committees.
6. Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	Y	The Annual Governance Statement / Local Code of Corporate Governance includes a description of the Performance and Audit Scrutiny Committees' roles and responsibilities.
7. Does the audit committee periodically assess its own effectiveness?	Y	This checklist is considered by Performance and Audit Scrutiny Committee annually.
8. Does the audit committee make a formal annual report on its work and performance during the year to full council?	Y	SEBC - Yes FHDC - Yes

Issue	Yes (Y) / No (N) / Partia l (P)	Comments/action
Membership, Induction and Training		
9. Has the membership of the audit committee been formally agreed and a quorum set?	Y	
10. Is the Chairman independent of the executive function?	Y	
11. Has the audit committee Chairman either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	Y	Appropriate training is provided
12. Are new audit committee members provided with an appropriate induction?	Y	Members are provided with training via the Members Induction Programme.
13. Have all members' skills and experiences been assessed and training given for identified gaps?	Y	Training may be provided where appropriate.
14. Has each member declared his or her business interests?	Y	
15. Are members sufficiently independent of the other key committees of the council?	Y	
Meetings		
16. Does the audit committee meet regularly?	Y	
17. Do the terms of reference set out the frequency of meetings?	Y	
18. Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y	
19. Are members attending meetings on a regular basis and if not, is appropriate action taken?	Y	
20. Are meetings free and open without political influences being displayed?	Y	
21. Does the authority's S151 officer or deputy attend all meetings?	Y	
22. Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y	

Internal Control		
23. Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y	
24. Does the audit committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts?	Y	
25. Does the audit committee consider how meaningful the Annual Governance Statement is?	Y	
26. Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y	
27. Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	N/A	Risk Management is a quarterly agenda item of the Performance and Audit Scrutiny Committee.
28. Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Y	<p>The West Suffolk Anti-Fraud and Anti-Corruption Policy meets current good practice as set out in the CIPFA Better Governance Forum guidance 'Managing the Risk of Fraud: actions to counter fraud and corruption'.</p> <p>An appendix of the Annual Internal Audit Report relates to fraud and demonstrates the progress made by the council annually in developing anti-fraud arrangements; and publicises the actions taken where fraud or misconduct has been identified.</p>
29. Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Y	
30. Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y	

31. Does the audit committee review the authority's strategic risk register at least annually?	Y	Reports are presented to Performance and Audit Scrutiny Committee on a quarterly basis.
32. Does the audit committee monitor how the authority assesses its risk?	Y	
33. Do the audit committee's terms of reference include oversight of the risk management process?	Y/N	SEBC - Yes FHDC - Yes
Financial Reporting and Regulatory Matters		
34. Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y	
35. Does the audit committee consider specifically: • the suitability of accounting policies and treatments • major judgements made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates and the narrative aspects of reporting?	Y	The Performance and Audit Scrutiny Committee reviews and challenges the audited draft accounts before approval. This challenge may include any of the bullet points but it is considered unrealistic for example for Members to have the detailed technical knowledge to challenge suitability of accounting policies. Large write-offs are approved by Cabinet in accordance with the policy.
36. Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y	
37. Does the audit committee review management's letter of representation?	Y	Included within the External Auditors (Ernst and Young) Annual Audit Letter.
38. Does the audit committee annually review the accounting policies of the authority?	N	See response to question 35.
39. Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y	Albeit at a very high level.

40. Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y	A specific duty of a member of the Performance and Audit Scrutiny Committee is to be aware of national developments and best practice relating to scrutiny and to keep the effectiveness of the process under review. Additionally, any new legislative requirements affecting the Committee would always be made known to it via a report.
Internal Audit		
41. Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y	
42. Does internal audit have an appropriate reporting line to the audit committee?	Y	
43. Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y	
44. Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y	Follow-ups to previous audit recommendations are included in subsequent reports presented to Performance and Audit Scrutiny Committee.
45. Does the audit committee hold periodic private discussions with the Head of Internal Audit?	Y	Service Manager (Internal Audit) attends Chairmen's briefing before Committee.
46. Is there appropriate cooperation between the internal and external auditors?	Y	Internal Audit and External Audit liaise to ensure work is not duplicated and that External Audit is able to utilise the work of Internal Audit should they choose to do so.
47. Does the audit committee review the adequacy of internal audit staffing and other resources?	Y	

48. Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	Y	Note – the Public Sector Internal Audit Standards apply from 2013-14 onwards. Compliance with these Standards is covered within the 2016-17 Internal Audit Annual Report.
49. Are internal audit performance measures monitored by the audit committee?	Y	
50. Has the audit committee considered the information it wishes to receive from internal audit?	Y	
External Audit		
51. Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y	
52. Does the audit committee hold periodic private discussions with the external auditor?	N	No – but could if felt necessary.
53. Does the audit committee review the external auditor's annual report to those charged with governance?	Y	
54. Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y	The Service Manager (Internal Audit) does this and would build into internal audit work / action plans where necessary – Internal Audit performance reports cover areas of improvement still required.
55. Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	Y	
56. Does the audit committee assess the performance of external audit?	Y	
57. Does the audit committee consider and approve the external audit fee?	Y	

Administration		
Agenda Management		
58. Does the audit committee have a designated secretary from Committee/Member Services?	Y	
59. Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y	
60. Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y	
61. Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	Y	
Papers		
62. Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y	
63. Does the audit committee issue guidelines or a pro forma concerning the format and content of the papers to be presented?	Y	All committees use the Corporate Report Template. This template is very clear on every area which must be covered when writing committee reports.
Actions Arising		
64. Are minutes prepared and circulated promptly to the appropriate people?	Y	
65. Is a report on matters arising made and minuted at the audit committee's next meeting?	N/A	If an issue is raised at a meeting and a report or more information is requested at a future meeting, this would be a separate report, but would not necessarily be titled as matters arising, although the report would make it clear that the issue arose at an earlier meeting.
66. Do action points indicate who is to perform what and by when?	Y	

Performance and Audit Scrutiny Committee's Review of Internal Audit's Role in the Authority

Question	Result (narrative)
1. Do the internal auditors receive the necessary degree of co-operation?	Yes – during the year, all reviews and investigations are carried out with the fullest possible co-operation of officers, at all levels.
2. Do the authority's statements on corporate governance reflect reality?	Yes – these receive input from a number of officers and are subject to various review processes to ensure they are robust.
3. Has there been any attempt to restrict the scope of the internal auditors' work in any way?	<p>No – an Annual Audit Plan is produced which is presented to and approved by the Performance and Audit Scrutiny Committees.</p> <p>The scope of individual reviews are discussed and agreed with officers at the pre-audit meeting.</p> <p>During the year, no attempt has been made by officers to adversely influence the scope of the work to be undertaken.</p>
4. Was the original audit plan modified due to deficiencies in internal control or accounting records?	No
5. Did the auditors have any significant disagreements with management? How were these resolved?	No – all audit recommendations are discussed with operational management at the post-audit meeting. Any significant disagreements would be discussed with senior management and if not resolved this would be reported to Performance and Audit Scrutiny Committee.
6. Do the internal auditors have any concerns about management's control awareness or operating style?	No – during the year there were no concerns regarding the 'tone at the top'. Senior management provide a level of challenge and scrutiny, particularly around control deficiencies identified through the audit review process which lead to audit recommendations.
7. What is the internal auditors' view of their relationship with management?	The Service Manager (Internal Audit) believes that the good working relationship with management has continued during the year.
8. Do the internal auditors believe they are under any undue pressure?	No – the Service Manager (Internal Audit) believes that the service is not only seen as independent and objective, but is also

	treated as such.
9. Are there any other matters that, in the opinion of the internal auditors, should be considered by the audit committee?	No

Performance and Audit Scrutiny Committee's Review of Internal Audit's Performance

Question	Result
1. Are there formal terms of reference that define internal audit's objectives, responsibilities, authority and reporting lines?	Yes – the Internal Audit Charter addresses objectives and responsibilities, authority and reporting lines.
2. Has the scope of internal audit work been determined using a risk-based systematic approach and in accordance with the Public Sector Internal Audit Standards?	Yes - a risk based approach is taken when preparing the Internal Audit Plan – also, the scope of each individual audit is based on a consideration of relevant risks.
3. What are the relative emphases given to internal control reviews, VFM (economy/efficiency/effectiveness) audits and special projects?	Internal Audit's primary objective is to review the internal controls framework. However, increasingly Internal Audit are also getting involved in special projects, at the request of management, where this is appropriate and audit skills can be used to add maximum value.
4. Are any restrictions placed on the scope of internal audit work and, if so, who establishes them?	The only restriction is that of capacity, i.e. number of available person-days. Capacity issues that affect any proposed audit plans would be addressed by the Leadership Team and the Performance and Audit Scrutiny Committee.
5. If internal audit is asked to undertake a special project, how is its independence safeguarded?	The Service Manager (Internal Audit) has direct access to all levels of Members and officers.
6. Does internal audit report directly to an appropriate level of management that will ensure audit recommendations are given due weight and attention?	Yes – audit recommendations are agreed by Service Managers, and are often ratified by Heads of Service. In addition, progress of implementation of audit recommendations is monitored by Performance and Audit Scrutiny Committee.
7. Are the internal auditors free from any other responsibilities that could impair their objectivity?	Yes
8. Do internal audit staff have sufficient technical knowledge and experience to ensure that duties are performed to an appropriate standard? Is there sufficient information systems expertise to deal with the level of technology used by the authority?	The Service Manager (Internal Audit) is a professionally qualified accountant and has approximately 30 years audit experience covering private practice, local government and the National Audit Office. Remaining audit staff also have good local government and private sector experience. Their qualifications include

	<p>Accounting Technician and the Diploma in Internal Audit Practice.</p> <p>Internal Audit staff have a basic level of IT audit skills. If it was felt that additional specialist expertise is needed in say IT audit we have access to a number of specialists through the Suffolk audit network.</p>
9. Is the work of the internal auditors properly planned, completed, supervised and reviewed? Are there any quality assurance procedures?	Yes - an audit brief is issued in respect of each piece of audit work setting scope, objectives, time allocation, audit approach, etc. The degree of supervision will depend on the complexity of the audit but support is always available. All work undertaken is documented and reviewed according to agreed quality standards within the section.
10. Are internal audit reports issued on a timely basis?	Yes
11. Are reports followed up on a timely basis? Is there evidence that internal audit has a systematic approach to following up recommendations, and reporting on those where little or no action has been taken by management?	Yes

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MAIN FINANCIAL SYSTEMS		
These are the main financial systems that support the running of the councils. These audit reviews are carried out to provide independent assurance to the Assistant Director (Resources and Performance) / S151 Officer that arrangements are operating effectively, and in line with the Finance Procedure Rules and Treasury Management Strategy as appropriate. The regularity of the audit review required depends on a number of factors, for example, previous assurance opinions, year last audited, system and resource changes.		
Subject	Outline Scope	Priority
Creditors	To provide assurance that payments made are valid, authorised, accurate and timely, in respect of goods and services received by the councils and that they have been properly accounted for in the councils' accounts.	1
Debtors	To provide assurance that invoices are complete, accurate and timely, that all invoices are paid and accounted for in the councils' accounts, and for those not paid timely action is taken to recover them; with uneconomic and irrecoverable amounts written off in line with the councils' write-off policy.	1
Treasury Management	To provide assurance that accurate, complete and timely information is produced to allow for effective monitoring and decision making in line with the investment strategy; that transactions are complete, accurate, valid and timely and made with institutions in line with the Treasury Management Strategy; and that treasury management activities are monitored and scrutinised in accordance with the CIPFA Code of Practice.	1
Car Parks Cash Handling	To provide assurance that effective controls are in place over car parking cash collection, retention and banking systems.	1
Council Tax & Overpayments	To review and test systems for the collection of overpayments and council tax ensuring that legislation is adhered to, exemptions and reliefs are correctly administered, refunds are appropriate, debt recovery is taking place, and to review the reconciliation of the council tax system to the general ledgers.	1
Housing & Council Tax Benefits	To review and test systems for the administration and payment of housing benefit and council tax reduction, to ensure that legislation is adhered to, and control accounts are regularly reviewed.	1
Payroll	To provide assurance that key controls exist for payroll processing including adequate documentation for starters and leavers, controls over amendments to individual payroll records, verifications to ensure that statutory deductions are correctly calculated and promptly paid to the Inland Revenue, reconciliations between the payroll system and the general ledger are correctly and promptly undertaken, and any changes to pay and rewards have been correctly implemented.	1

	A limited review of this area is planned for 2017/18, with a full review being undertaken in 2018/19.	
General Ledger	To provide assurance that financial transactions are correctly recorded including ensuring their completeness and integrity, with the aim of providing the data from which the councils' annual Statements of Accounts can be prepared. A limited review of this area is planned for 2017/18, with a full review being undertaken in 2018/19.	1

ADDED VALUE WORK

This category of audit work relates to areas identified by management and internal audit that would benefit from audit input in the form of providing support and advice to management including reviewing relevant arrangements on behalf of management and/or assisting in making improvements. Care will be taken to ensure these activities do not impinge upon internal audit independence.

These pieces of work will generally be one-off activities (unlike the annual financial systems reviews) and will not always result in a formal report being issued or an opinion provided. However, these pieces of work will contribute to a balanced audit plan which enables the Service Manager (Internal Audit) to give his statutory annual audit opinion on the adequacy and effectiveness of the councils' framework of risk management, control and governance processes.

Work included in this category is likely to include areas such as reviewing arrangements for contract management, providing corporate support for the project management framework, and feeding into project working groups where audit skills will add value. An ongoing assessment of potential work areas will ensure that audit resource will be used in those areas which will benefit most from audit input and it is therefore important to recognise the need for flexibility in the allocation of audit resources across all areas of audit work including Added Value Work as well as Corporate and Business Area Audits (see below).

CORPORATE AND BUSINESS AREA AUDITS		
<p>These are reviews of systems, processes or tasks where the internal controls are identified, tested, and evaluated. These are therefore more traditional pieces of audit work in contrast to the Added Value Work referred to above.</p> <p>Again, unlike the annual financial systems reviews these pieces of work will generally be one-off activities but they will normally result in a formal report being issued and an opinion provided.</p> <p>The work in this category is driven by a shared understanding between management and internal audit of relevant risks.</p> <p>Work included in this category is likely to include, but not necessarily be restricted to, the following pieces of work. An ongoing assessment of potential work areas will ensure that audit resource will be used in those areas which will benefit most from audit input.</p>		
Subject	Outline Scope	Priority
Cyber Security	Review controls in place in respect of cyber security to prevent serious service disruption and permanent damage from occurring.	1
HMRC – Off Payroll Engagement (IR35)	Check payments to consultants, contractors and interim payments are treated correctly for tax and NIC purposes to ensure HMRC regulations and agreements are being complied with.	1
Contract Extensions	In collaboration with the Procurement Manager, review a sample of contracts to determine whether the terms of the contracts have been complied with and value for money obtained when contracts are extended.	2
Procurement	Review a sample of payments not linked to a contract to determine whether Contract Procedure Rules are being followed and value for money obtained.	2
Declarations of Interests	Assess the arrangements in place to ensure that any relevant employee interests are declared and appropriately managed.	2
Gifts and Hospitality	Assess the arrangements in place for promoting appropriate conduct in respect of gifts and hospitality.	2
Follow Ups	Whilst it is management’s responsibility to manage the risks associated with the areas under their authority, internal audit will monitor progress against the implementation of all agreed audit recommendations deemed to be high / medium risk.	1

FRAUD, IRREGULARITY AND PROBITY		
Proactive testing of systems and processes to identify potential fraud and misappropriation or noncompliance with policies and procedures; and reactive investigations if any are required into potential wrong doing, fraud and corruption.		
Subject	Outline Scope	Priority
Irregularity Investigations	Reactive work where suspected irregularity has been detected.	1
Data matching	Co-ordinating review of National Fraud Initiative matches, and developing of other data matching reports.	1
Proactive Fraud and Corruption Work	Proactive anti-fraud work that includes targeted testing of processes with inherent risk of fraud. For example, carrying out cash handling spot checks at council sites, to review controls in place over cash collection, retention and banking systems.	2
Fraud Awareness and Publicity	Continuing to raise awareness of fraud issues and how to report suspicions.	2

OTHER AUDIT ACTIVITY TO SUPPORT THE AUDIT OPINION		
Includes providing advice on systems and processes and includes attendance at working groups to advise on risk and control, as well as responses to specific enquiries.		
Subject	Outline Scope	
Annual Governance Statement Working Group	Production of the West Suffolk Annual Governance Statement and its associated documents.	
Information	Audit support and advice on information governance policies and practices.	

Governance Working Group	
Strategic Risk Management Group	Review of strategic risks prior to submission to Leadership Team and Performance and Audit Scrutiny Committee.
General Advice and Assistance	Provision of advice and assistance on the risk, governance and internal control environment.
Financial Vetting and Financial Due Diligence for investment decisions	Carry out financial vetting / financial due diligence checks on businesses (prospective suppliers, contractors, industrial unit tenants and partners) to minimise financial risks to the councils.
Internal Audit External Working Groups	Participation in relevant groups to share learning and good practice.
Liaison with External Audit	To ensure there is no duplication of work between internal and external audit.

FEE EARNING	
Fee earning services to other local authorities who request our assistance. Approximately £14k is expected to be earned in 2017/18.	
Subject	Outline Scope
Audit Review	Audit of council tax and housing benefits systems on behalf of other ARP partners

<p>Grant Certification</p>	<p>Grant certification work for Suffolk County Council to provide assurance that the conditions of the specific grant determinations have been complied with:</p> <ul style="list-style-type: none"> • Department for Business Innovation & Skills - Growth Hub Funding to Local Enterprise Partnership • Trading Standards Institute - Safety at Ports and Borders Team and Single Point of Contact for Border Controls • New Anglia LEP – funding for Greater Cambridgeshire and Greater Peterborough LEP
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<p>OTHER WORK</p>	
<p>Subject</p>	<p>Outline Scope</p>
<p>West Stow Anglo Saxon Village Trust Accounts</p>	<p>Independent Examiners’ report on the accounts to provide assurance on the charity trustees’ preparation of the accounts.</p>

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Priority Key

<p>1</p>	<p>High</p>
<p>2</p>	<p>Medium</p>

Managing the Risk of Fraud, Theft and Corruption Report

1. Introduction

- 1.1 The West Suffolk councils spend millions of pounds of public money each year on essential local services. It is essential that they continue to protect and preserve their ability to provide these services by ensuring assets are protected against all risks of loss and damage.
- 1.2 The purpose of this report is to bring together in a single document a summary of the work which has taken place during 2016/17 to prevent and detect fraud, theft and corruption. By publishing the report the councils aim to show their commitment to minimising the risk of fraud, theft and corruption and deter any would-be fraudsters.

2. The Risk of Fraud

- 2.1 Fraud, theft and corruption is an ever present threat to the resources available in the public sector. It is costly, both in terms of reputational risk and financial losses.
- 2.2 The councils' mitigating controls include:
 - ✓ clear policies and procedures available to staff and members;
 - ✓ specialised / qualified staff to identify and investigate potential areas of fraud;
 - ✓ active participation in the National Fraud Initiative; and
 - ✓ a sound internal control environment as demonstrated by internal and external audit opinions.
- 2.3 However, whilst there are mitigating controls in place to manage the risks of fraud, theft and corruption, these risks cannot be completely eradicated. West Suffolk recognises its vulnerability to fraud and its key fraud risk areas, and takes positive action to minimise those risks. Emphasis is placed on preventative and early detection work in areas at greatest risk of fraud.

3. CIPFA Code of Practice – Managing the Risk of Fraud and Corruption

- 3.1 The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption provides a number of key principles to embed effective standards for countering fraud and corruption.
- 3.2 While the code is voluntary, an assessment was undertaken in 2015/16, resulting in a number of actions to be completed. This continues to be reviewed and incorporated into the annual audit work plan.

4. Fighting Fraud and Corruption Locally

- 4.1 CIPFA's Local Government Counter Fraud and Corruption Strategy 2016-19 estimates that fraud costs local authorities £2.1bn a year, £207m of which is local government fraud.

4.2 CIPFA has also produced a national Fraud and Corruption Tracker Summary Report 2016 containing findings from a national survey which identifies trends and statistics. This identified the main types of fraud being council tax, housing benefit and tenancy fraud. West Suffolk is proactively working with the Anglia Revenues Partnership (ARP) Fraud Team to tackle these common fraud types.

5. Local Government Transparency Code

5.1 Since February 2015 local authorities have been required to publish the following information annually about their counter fraud work, as required by the Local Government Transparency Code:

- number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers;
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud;
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists;
- total amount spent by the authority on the investigation and prosecution of fraud; and
- total number of fraud cases investigated.

Data for both West Suffolk councils is included on the 'open data and transparency' area of the website.

6. Corporate Fraud, Theft, Bribery and Corruption Arrangements

6.1 Awareness

6.1.1 A West Suffolk Anti-Fraud and Anti-Corruption Policy is in place. The purpose of the policy is to minimise the risk to the councils' assets and good name, promote a culture of integrity and accountability in councillors, employees and all those that the councils do business with, and enhance existing procedures aimed at preventing, discouraging, detecting and investigating fraud and corruption.

6.1.2 Fraud awareness messages are published on the West Suffolk intranet at regular intervals to increase staff awareness.

6.1.3 Internal Audit also liaise with the ARP Fraud Team on a regular basis and are working towards undertaking internal data matching exercises with software procured by ARP.

6.1.4 The council is a member of the National Anti-Fraud Network (NAFN), recognised as a centre of good practice dedicated to supporting its members in protecting the public purse from fraud, abuse and error. Regular alerts are received, with action taken where necessary.

6.2 Reported suspicions

6.2.1 Part of the work of the Internal Audit team is the investigation of potential irregularities where processes / systems are found not to be functioning as intended, resulting in potential loss to West Suffolk of resources / money. No such investigations were necessary in 2016/17.

7. Revenues and Benefits (ARP) Fraud Arrangements

The information in this section has been provided by ARP.

7.1 Awareness

7.1.1 All new staff recruited to ARP's revenues and benefits team are given a fraud awareness session which includes training on fraud awareness, key documents, the role of the ARP fraud team and types of fraud they uncover. Proactive fraud detection work is undertaken by ARP with any suspected Housing Benefit frauds now being reported to, and investigated by, the Department for Work and Pensions' Single Fraud Investigation Service (SFIS).

7.2 Reported suspicions

7.2.1 Information is provided to the local newspaper each time there is a successful prosecution. Prosecutions are also reported via the Magistrate Court listings within the local newspaper.

7.3 Sanctions applied

7.3.1 The following sanctions have been applied:

SEBC	2015/16	2016/17
Prosecutions	7	0
Formal cautions	15	6
Administrative penalties	4	5

FHDC	2015/16	2016/17
Prosecutions	15	0
/Formal cautions	12	5
Administrative penalties	6	3

Note: the 2015-16 prosecutions all related to housing benefits frauds - responsibility for investigating these frauds passed to the Department for Work and Pensions' Single Fraud Investigation Service (SFIS) in late 2015 and therefore there were no ARP-led prosecutions in 2016-17.

7.3.2 Not all investigations result in a sanction but the investigation itself stops or reduces the amount of benefit paid. Investigations are sometimes closed without a sanction because it is considered to be a genuine error or because there is insufficient evidence of fraud or because the health of the individual at the time the fraud is discovered is worse than at the time of the interview. In these instances the benefit has been corrected and

recovery action on any overpayment is taken so a saving to the tax payer has been made although not recorded as a fraud.

7.4 Financial loss recovered and (where appropriate) financial savings

7.4.1 Every effort is made to recover debt caused by fraud in line with Department for Work and Pensions (DWP) guidance.

7.4.2 The following amounts were identified as fraudulent payments:

<i>SEBC</i>	<i>2015/16</i>	<i>2016/17</i>
Housing Benefit	£93,772.04	106 cases passed to SFIS
Council Tax Reduction	£28,036.21	£20,539.28

<i>FHDC</i>	<i>2015/16</i>	<i>2016/17</i>
Housing Benefit	£122,900.10	57 cases passed to SFIS
Council Tax Reduction	£30,457.78	£29,617.95

Since the introduction of the SFIS, housing benefit frauds are not investigated by ARP, but passed to the DWP to investigate – monetary figures for these frauds are not easily available.

In all cases recovery is sought from the claimant either by sundry debtor invoice, collection from ongoing benefit if still entitled, or by amendments to the council tax liability

7.4.3 The Fraud and Investigation Team within the ARP investigate council tax fraud, including single person discount, tenancy fraud and offences relating to council tax support and housing fraud.

7.4.4 During 2016/17 the ARP Revenues and Benefits Fraud Team continued to undertake proactive work with regard to false claims for single person discount (SPD) for council tax which could lead to court action. This area of work is ongoing, using both data matching software and the National Fraud Initiative matches. The value of identified savings for 2016/17 to date is as follows:

- 216 cases for SEBC, producing savings of £151,646.74
- 27 cases for FHDC, producing savings of £15,021.53

Regarding the above figures, it should be noted that all SEBC National Fraud Initiative matches have been reviewed with the FHDC matches currently being worked on, therefore the FHDC figures are likely to increase.

The savings are calculated from when the single person discount eligibility is removed and the liability for the remainder of the current financial year. New council tax bills are raised for the period in question to enable collection to be made.

Single person discount applications are now also being checked by the ARP Fraud Team in order to prevent discounts being granted incorrectly and avoiding the issue of trying to collect amounts of council tax retrospectively.

7.4.5 Proactive work to identify properties not on the council tax or business rates databases is also undertaken to identify tax evasion. This can be where the property does not appear on the ARP database as it had not been declared to the Valuation Office or where incorrect information on the property status has been declared. This has resulted in backdated bills being raised as follows:

- 13 cases for SEBC, with a value of £27,029.09
- 7 cases for FHDC, with a value of £17,271.89

Examples of this include:

SEBC

Investigations concluded that a property was empty, even though the owner declared it as being inhabited. This resulted in the Long Term Empty premium being applied and backdated bills for approximately £5,000 being raised.

A previously non-residential property was identified as being developed into a residential property, but had not been declared; this resulted in backdated bills for approximately £4,800 being raised.

FHDC

An undeclared Band F property was identified, resulting in backdated bills for approximately £5,600 being raised.

An undeclared mobile home was detected, resulting in backdated bills for approximately £5,300 being raised.

7.4.6 The ARP Fraud Team has also been liaising with the Housing Team and working with social housing providers to recover properties. In 2016/17, 7 properties were recovered within St Edmundsbury BC and 2 were recovered for Forest Heath DC, enabling these to be offered to those in housing need.

8. Policies and Procedures

8.1 The council has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These include:

- Codes of Conduct for Members and Officers
- Code of Corporate Governance
- Constitution – including Contract and Financial Procedure Rules
- Anti-Fraud and Anti-Corruption Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Recruitment and Selection Procedures

9. National Fraud Initiative

- 9.1 The National Fraud Initiative (NFI) is a mandatory exercise run by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The main exercise takes place over a two year period, matching records such as benefits, payroll, pensions, student awards, licenses, creditor payments and parking permits. The current exercise has included the housing waiting list to determine if false information has been provided or possible undisclosed changes in circumstance. A separate annual exercise to match electoral register data to council tax records is also undertaken; this is to identify where single person discounts may not be applicable.
- 9.2 A risk-based approach is undertaken when reviewing data matches, with recommended matches as identified by the NFI application being a high priority, and a sample of the remaining matches are then assessed and reviewed.
- 9.3 Where fraud or error is found, recovery is made by way of deductions from benefit, overpayment proceedings or credits obtained from suppliers where duplicate payments have been identified.
- 9.4 The 2016/17 NFI exercise saw data matches being released in January 2017.
- For SEBC, a total of 1647 matches were reported with 292 high priority matches. By mid-April 2017, a total of 336 matches had been processed with another 38 in progress. This resulted in the identification of 3 housing benefit errors, with a value of £384. 7 creditor payment errors within this exercise had already been identified through either the 2015/16 NFI exercise or by West Suffolk Finance with corrective action already taken.
 - For FHDC, a total of 858 matches were reported with 160 high priority matches. By mid-April 2017, a total of 235 matches had been processed with another 40 in progress. This resulted in the identification of 1 duplicate creditor payment which West Suffolk Finance were already aware of and taken corrective action to recover.

10. Internal Audit

- 10.1 Fraud and corruption risks are identified as part of the annual audit planning process, with the annual Internal Audit Plan including resources to undertake special irregularity investigative work, co-ordination of the NFI data matching exercise, and proactive anti-fraud and anti-corruption work.

Summary of Internal Audit Reports Issued in 2016/17

1. Introduction

- 1.1 During the period, 16 audit reviews were completed to final report stage. Audit reports are issued as final where their contents have been agreed with management, in particular responsibility for actions and timescale. 6 of these audit reviews relate to work undertaken on behalf of East Cambridgeshire DC, the results of which have not been included within this report.
- 1.2 The following sections contain a summary of the content of the internal audit reports issued during the 2016/17 financial year. Each summary provides an indication of the issues arising from the reviews, as well as action taken in response to previous audit reports where appropriate.
- 1.3 It should be noted that each summary below represents the situation at the point in time that the audit work was undertaken and therefore it is likely that a number of agreed key improvements will subsequently have been made.
- 1.4 In line with Chartered Institute of Public Finance and Accountancy (CIPFA) good practice guidance, opinions are provided on the operation of control mechanisms where a full audit has been undertaken for the area reviewed. A key to these opinions can be found at the end of this appendix. Where a follow-up review has been undertaken full testing of controls will not always be undertaken and therefore an opinion on the operation of controls will not normally be given.
- 1.5 Progress towards implementing the required key improvements referred to below will be reviewed by Internal Audit during 2017/18 and reported to Performance and Audit Scrutiny Committee as appropriate.

2. Treasury Management

- 2.1 This audit review covered controls relating to the management of the council's short-term and long-term investments with approved organisations to achieve the best possible rate of return. Audit work undertaken resulted in a **substantial assurance** opinion being given.

Improvements made since the previous audit

- 2.2 Efficient and consistent arrangements exist through working practices having been aligned across both councils.

Key areas where improvements are required

2.3 None, only minor suggestions recommended.

3. Accounts Payable (Creditors)

3.1 The purpose of this audit was to review the controls around the accounts payable system which is designed to record and report on expenditure made on behalf of the councils. A **substantial assurance** opinion was provided.

Improvements made since the previous audit

3.2 Fraud prevention procedures have been strengthened by further improving checks made where notification is received of changes to supplier bank details.

Key areas where improvements are required

3.3 As reported previously, the purchase requisition process is still not embedded within service area procurements, with requisitions being raised after the order has been placed or the goods / services have been received. Orders should be raised in advance of goods and services being supplied - this will ensure that expenditure is appropriately committed against the relevant budget headings.

3.4 Suppliers of goods and services to the councils are generally paid within 30 days but performance could be further improved in this area.

3.5 The review included an assessment of compliance with Contract Procedure Rules and concluded that there could be improvement in this area.

4. Main Accounting System (General Ledger)

4.1 The purpose of this audit was to ensure that adequate accounting routines exist, are open and transparent so as to protect the integrity of the system, and are implemented in practice. A **substantial assurance** opinion was achieved.

Improvements made since the previous audit

4.2 Action has been taken to address some of the recommendations made from the previous report whilst other recommendations have been superseded as a result of this year's audit report.

Key areas where improvements are required

4.3 Reconciliation documentation from ARP should be reviewed by Finance promptly to ensure any variances are investigated in a timely manner.

- 4.4 Staff should be reminded to action journals promptly and ensure supporting documentation is retained.

5. Payroll

- 5.1 This audit reviewed the key controls for payroll processing including adequate documentation for starters and leavers, controls over amendments to individual payroll records, verifications to ensure that statutory deductions are correctly calculated and promptly paid to the Inland Revenue, reconciliations between the payroll system and the general ledger are correctly and promptly undertaken, and that any changes to pay and rewards have been correctly implemented. A **full assurance** opinion was given.

Key areas where improvements are required

- 5.2 None.

6. Accounts Receivable (Debtors)

- 6.1 The purpose of the audit was to review the controls around the accounts receivable system to record, collect and report on income received by the councils for chargeable services provided. A **substantial assurance** opinion was given.

Key areas where improvements are required

- 6.2 It would be useful if evidence is scanned / linked to the finance system so as to provide a clear audit trail as to reason for invoices and credit notes being raised, and to advise of the action being taken to recover monies within service areas.

7. Council Tax

- 7.1 The West Suffolk Internal Audit Team undertook the Council Tax audit on behalf of four of the councils in the Anglia Revenues Partnership (St Edmundsbury BC, Forest Heath DC, East Cambridgeshire DC and Breckland Council). The audit focus was to review and test systems for the collection of Council Tax ensuring that legislation is adhered to, exemptions and reliefs are correctly administered, refunds are appropriate, debt recovery is taking place and to ensure that adequate reconciliations of the Council Tax system to the general ledgers are undertaken. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

- 7.2 Action has been taken to address some of the recommendations made from the previous report, whilst others have been superseded as a result of this year's audit report or remain work in progress.

Key areas where improvements are required

- 7.3 Recommendations were made to further improve controls for council tax processes, including overpayments, approval of write offs, monitoring of credit balances, quality assurance, control account reconciliations and checking of annual parameter bandings.

8. Non Domestic Rates (NDR)

- 8.1 Similar to the council tax audit review, this year's review of NDR was undertaken by the West Suffolk Internal Audit Team on behalf of four of the councils working together as the Anglia Revenues Partnership.
- 8.2 The audit was undertaken to provide assurance on the controls in place within the NNDR System, including the collection of NNDR from commercial properties, legislation is adhered to, exemptions and reliefs are correctly administered and refunds are appropriate. The audit also included reviewing arrangements for debt recovery by ARP Enforcement (ARPE) for NNDR and Council Tax. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

- 8.3 Improvements were observed in the reporting methods for Empty Property inspections.
- 8.4 The Electronic Data Management System (EDMS) project is currently in progress and will improve and force processes, reduce the risk of human error and ensure tasks are fully complete.

Key areas where improvements are required

- 8.5 Corrective action has been recommended to improve the administration of Reliefs, Discounts and Exemptions, the Reminder and Debt Recovery Process and timely updating of the Valuation Office amendments.

9. Housing and Council Tax Benefits Review

- 9.1 Similar to Council Tax and NDR the West Suffolk Internal Audit Team undertook the audit on behalf of four of the ARP councils. The audit focus was to review and test systems for the administration and payment of housing benefit and council tax reduction, to ensure that legislation is adhered to and the control accounts are regularly reviewed. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

- 9.2 Whilst no significant areas requiring improvement were reported in 2015/16, recommendations were made to further improve processes and controls which have since been actioned.

Key areas where improvements are required

- 9.3 The housing benefit team generally works to a high standard and processes are working well, however, suggestions were made to improve data entry quality and accuracy even further.

10. Car Parks Cash Handling Review

- 10.1 The audit focus was to review the controls surrounding cash collection, retention and banking. Systems were reviewed to ensure that income due to or held by the councils is accurately recorded and that income is receipted and banked correctly and promptly. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

- 10.2 For the majority, improvement has taken place on actions reported previously.

Key areas where improvements are required

- 10.3 A number of suggestions were made to improve practices around the collection and banking of car parking income, including the need for the cash receipting system to be updated daily to ensure that records are up to date.
- 10.4 A review of cash security collections is needed to ensure that the councils are receiving a competitive service from their providers.

11. Apex – Merchandise Review

11.1 This piece of work focused on reviewing controls over the sale of merchandise to ensure that cash floats, income, stocks, and any commission received are properly recorded and controlled.

Key areas where improvements are required

11.2 Whilst reasonable controls are in place, suggestions were made for management to consider implementing for good practice, to include improved recording of stock and commission income.

12. Meaning of words used

Full Assurance	The full assurance opinion is given where no significant or fundamental recommendations have been made. Controls within the system provide full assurance that the risks material to the achievement of the system objectives are adequately managed.
Substantial Assurance	The substantial assurance opinion is given where a small number of significant, and no fundamental, recommendations have been made. Controls within the system provide substantial assurance that the risks material to the achievement of the system objectives are adequately managed.
Limited Assurance	The limited assurance opinion is given where a small number of fundamental, and also a number of significant, recommendations have been made. Controls within the system provide limited assurance that the risks material to the achievement of the system objectives are adequately managed.
No Assurance	The no assurance opinion is given where little or no assurance could be gained from a system where a large number of fundamental and significant recommendations were proposed. Controls within the system provide little or no assurance that the risks material to the achievement of the system objectives are adequately managed.

Informal Joint Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Balanced Scorecard and Quarter 4 Performance Report 2016-2017	
Report No:	PAS/FH/17/010	
Report to and dates:	Performance and Audit Scrutiny Committee	25 May 2017
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	This report sets out the West Suffolk Balanced Scorecards being used to measure the Council's performance for 2016-17 and an overview of performance against those indicators for the final quarter of 2016-17.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are requested to review the Council's performance using Balanced Scorecards for Quarter 4, 2016-17 and identify any further information required or make recommendations where remedial action or attention is required to address the Council's performance.	

Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:		<ul style="list-style-type: none"> This report has been prepared in consultation with all relevant staff and Leadership Team. 	
Alternative option(s):		<ul style="list-style-type: none"> The option of doing nothing may result in poor performance, monitoring performance can highlight where remedial action may be needed 	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> While there are no direct financial or budget implications arising from this report, it is possible that any recommendations of the Committee may have some resource implications. For example, resources may need to be reallocated to improve performance in a future period. 	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> There are no legal implications from this report. Poor performance levels may impact on the Council's ability to implement its policies or high-level strategies. 	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Failure to achieve optimum or target performance which may impact on resources	High	Regular reporting of performance to Joint Leadership Team, Portfolio Holders and to PASC can highlight where remedial action may be needed.	Medium
Ward(s) affected:		All Ward	
Background papers:		None	

Documents attached:

Appendix A – Resources and Performance Balanced Scorecard

Appendix B – Families and Communities Balanced Scorecard

Appendix C – Human Resources, Legal and Democratic Balanced Scorecard

Appendix D – Planning and Growth Balanced Scorecard

Appendix E – Operations Balanced Scorecard

Appendix F – Housing Balanced Scorecard

1. Key issues and reasons for recommendation(s)

1.1 Performance Measures

1.1.1 Attached at **appendices A to F** are the current Balanced Scorecards (based on the previous service area structure) which present Quarter 4 2016/17 performance. Unless otherwise stated, all performance figures on the scorecards are from a West Suffolk perspective. Where the performance for either individual Council is significantly different from the West Suffolk figure that it would have a different RAG rating, details of this are highlighted in the comments box.

1.1.2 The information included in the report has been provided by Assistant Directors and service managers. Most indicators report performance against an agreed target using a traffic light system with additional commentary provided for performance indicators below optimum performance. Other KPIs report a data value only (e.g. no target performance) in order to track performance over time.

1.2 Quarter 4 Performance

1.2.1 In quarter 1 and 2, the performance against the “% telephone calls answered” indicators was below target levels across all areas. During quarters 3 and 4 the performance against these indicators has increased and exceeded target levels.

1.2.2 There has been a slight increase corporately in the performance against the indicator “% of non-disputed invoices paid within 30 days” since quarter 3. The figure in December 2016 was 93.1%, whereas the March 2017 figure is 94.19%. The finance and performance team will continue to work with service areas to try and improve performance against this indicator, with monthly business intelligence reports being sent out with details of all invoices processed.

1.2.3 There has also been a slight decrease corporately in the performance against the indicator “% of total debt over 90 days”. The figure in December 2016 was 61.2%, whereas the March 2017 figure is 68.72%. Although this figure has risen, the total level of debt over 90 days has in fact reduced from £631k to £487k.

		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC	£ 39,423.00	-	M	Cumulative		General Fund £225k, Resources (£44k), ICT (£81k), C/Tax (£25), Benefits (£37k)	SATISFACTION	Number of formal complaints	27	No Target	B	Period only		26 - ARP, 1 Insurance	
		Year end forecast variance (under) / over spend against budget - SEBC	£ 397,031.00	-	M	Cumulative		General Fund £530k, C/Tax (£70k), Benefits (£35k), Corporate Non-Distributed (£28k)		Number of formal complaints	0	No Target	B	Period only			
		Income generated from SLAs	(£510,063.80)	(£467,667.00)	M	Cumulative			CUSTOMERS	Organisational year end forecast variance (under) / over spend against budget - FHDC *	-	-	M	Cumulative		Year End Outturn in line with budget as per budget monitoring report	
		% return on the investment of reserves and balances - FHDC	1.06	1.50	Q	Cumulative		Rate has dropped due to the number of short term investments placed, which tend to be at lower rates, coupled with the drop in the Bank of England base rate.		Organisational year end forecast variance (under) / over spend against budget - SEBC *	(£159,782.00)	Data missing	M	Cumulative		Year end outturn underspend of £160k as per budget monitoring report	
		% return on the investment of reserves and balances - SEBC	0.76	0.90	Q	Cumulative		Due to higher levels of balances than anticipated, the actual income received in the year is forecast to be £145,000 higher than budget.		Total income generated by organisation £ *	(£27,218,897.63)	(£23,722,344.00)	M	Cumulative			
	FINANCE & PERFORMANCE	% of non-disputed invoices paid within 30 days	95.70	95.00	M	Period only		93 invoices processed in March.	% of total non-disputed invoices paid within 30 days *	94.19	95.00	M	Cumulative		1,412 invoices processed in March.		
		% of debt over 90 days old	0.00	10.00	M	Cumulative		FHDC debt £0.00 - 0% over 90 days. SEBC debt £0.00 - 0% over 90 days.	% of total debt over 90 days old *	68.72	10.00	M	Cumulative		FHDC debt £79k - 49.36% over 90 days. SEBC debt £408k - 71.80% over 90 days.		
		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
INTERNAL PROCESSES	FINANCE	% of all payments made to us by BACS, Direct Debit, online as opposed to cash & cheque *	88.28	No Target	M	Period only			OUTCOMES	ARP	% Collection of Council Tax - FHDC	102.00	100	M	Cumulative		The amount collected as at the end of March is £27,124,236.
		ICT	% of ICT Helpdesk calls completed 'on time' as defined in SLAs	96.03	90.00	Q	Period only				% Collection of Council Tax - SEBC	102.23	100	M	Cumulative		The amount collected as at the end of March is £56,747,587.
	ARP		Days taken to process Housing Benefit new claims and changes - FHDC	6.38	8.00	M	Period only				% Collection of Business Rates - FHDC	105.91	100.00	M	Cumulative		The amount collected as at the end of March is £23,578,429.
		Days taken to process Housing Benefit new claims and changes - SEBC	5.33	8.00	M	Period only		% Collection of Business Rates - SEBC			100.75	100	M	Cumulative		The amount collected as at the end of March is £47,622,080.	
										BUSINESS RATES	Business Rate Growth - FHDC	23,606,981	22,143,933	M	Cumulative		This is the forecast business rates figure. FHDC will receive 40% share of growth which will be £585,195 based on this forecast.
											Business Rate Growth - SEBC	48,520,655	45,886,675	M	Cumulative		This is the forecast business rates figure. SEBC will receive 40% share of growth which will be £1,053,592 based on this forecast.

PROJECTS	Name	Project Lead	Project Stage	Project Status	Approval details	Approved budget	Forecast Spend	Variance	Comments

RISK	RISK ID NUMBER	Type	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	WS Residual Risk	Last updated
	WS1 A	Financial	Poor financial management	Failure in specific areas to achieve projected income, or expenditure exceeds the approved budgets (revenue or capital).	Probability - 3; Impact - 5	Probability - 2; Impact - 3	March 2017
	WS1 B	Financial	Poor financial planning	Failure to deliver a sustainable Medium Term Financial Strategy, especially in view of continued financial uncertainty around areas such as Comprehensive Spending Review, localisation of Business Rates, increased service demand, and use of reserves. Over reliance on any one particular MTFs theme such as behaving more commercially or being an investing authority.	Probability - 3; Impact - 4	Probability - 2; Impact - 4	March 2017
	WS6 (on all scorecards)	Political	Managing public / councillor expectations with less resources	Falling short of providing the level of service that the public and councillors expect and demand.	Probability - 5; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS7	Technological / Financial / Customer	Poor project management	Key strategic outcomes not being delivered due to projects failing to be completed on time. Budgets are overspent due to delays. Peaks and troughs in resource demands for support services are not managed, resulting in unmanageable workloads for e.g. IT team, exacerbating the delays.	Probability - 4; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS7a	Technological	ICT integration	Integration of ICT across services and systems not being achieved. Failure to keep Business Applications aligned.	Probability - 4; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS11	Economic / Financial / Competitive	Failure to adapt to new public sector models, explore opportunities with partners	budget gap due to missing opportunities for new sources of funding and opportunities for savings through economies of scale and better integration; or fails to take account of wider changes in national and local government legislation and policy (including EU).	Probability - 4; Impact - 4	Probability - 3; Impact - 3	March 2017
	WS13	Partnership / Financial	Partner / Public Sector failure	Partners or partnerships failing; cost shunting (transfer of costs between partners); partnerships not achieving desired outcomes.	Probability - 4; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS14 (on all scorecards)	Physical / Social / Legal	Service failure through unplanned events	Reduced level or failure to deliver services to both internal and external clients due to unforeseen events.	Probability - 3; Impact - 4	Probability - 2; Impact - 2	March 2017
	WS18	Customer / Financial / Professional	Managing poor performance	Risk of individual services having below par performance levels and possible dips in performance while establishing new service models.	Probability - 4; Impact - 4	Probability - 3; Impact - 3	March 2017

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		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments			
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC	(20,359.00)	-	M	Cumulative		(£30k) Community Dev, £15k Customer Serv.	CUSTOMERS	SATISFACTION	81.00	80.00	Q	Period only		Customer satisfaction rate now back on target. The satisfaction rate had fallen to 50% earlier in the year with the introduction of Garden Waste charging and implementation issues with the Housing Options Abrisas homelink system		
		Year end forecast variance (under) / over spend against budget - SEBC	(1,830.00)	-	M	Cumulative		(£38k) Community Dev, £35k Customer Serv.										
		% of non-disputed invoices paid within 30 days	100.00	95.00	M	Cumulative		85 invoices processed in March.										
		% of debt over 90 days old	35.25	10.00	M	Cumulative		FHDC debt £6.4k - 3.37% over 90 days (1 invoice with Legal). SEBC debt £13.0k - 51.10% over 90 days (11 invoices). All outstanding debt relates to Housing.										
		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments			
INTERNAL PROCESSES	COMMUNICATIONS	Number of unique users of the West Suffolk councils website	48,771	29,500	M	Period only		Aim to maximise.	OUTCOMES	CUSTOMER SERVICES	% of issues resolved at first point of contact with Customer Services - telephone	97.00	80.00	M	Cumulative		On target	
		Number of unique page views to the West Suffolk councils website	152,378	150,000	M	Period only		March website usage has increased due to the renewal of the Garden Waste Collection Service.			% of issues resolved at first point of contact with Customer Services - face to face	84.00	80.00	M	Cumulative		On target	
		Number of online forms completed	9,808	8,000	M	Period only		Increase in garden waste forms										
		Number of page views to the West Suffolk intranet	321,422	123,500	M	Period only		Aim to maximise.										
	CUSTOMER SERVICES	% of telephone calls answered	93.00	90.00	M	Period only		Agency staff brought in to help call rate										
		Number of face to face contacts (not including visitor management)	5,434	5,000	M	Period only		On target										

PROJECTS	Name	Project Lead	Project Stage	Project Status	Approval details	Approved budget	Forecast Spend	Variance	Comments

RISK	RISK ID NUMBER	Type	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	WS Residual Risk	Last updated
	WS2	Customer	Maintain and promote our public image, maintain effective communications	Lack of public trust and confidence in the councils leads to a poor reputation. Councils need to champion their area and be a trusted part of the community. It is vital therefore in making sure people access services, which often means the handling of sensitive information, that the councils have a strong reputation. This is also the case in working with communities to deliver growth or large projects as well as in times of crisis, when the council must be a trusted source of information. Therefore Councils need a good reputation to enter positive partnerships with others, or secure funding. This could also potentially impact on our ability to recruit staff in competitive market.	Probability - 3; Impact - 3	Probability - 3; Impact - 2	March 2017
WS3	Customer	Failure to deliver channel shift (Customer Access Strategy).	Service delivery methods do not meet customer needs or expectations with potential to damage Councils' reputation; customer expectations need to be understood and managed; Councils' not appreciating and/or delivering methods of contact and response time which are expected by customers.	Probability - 3; Impact - 4	Probability - 2; Impact - 4	March 2017	
WS6 (on all scorecards)	Political	Managing public / councillor expectations with less resources	Falling short of providing the level of service that the public and councillors expect and demand.	Probability - 4; Impact - 5	Probability - 3; Impact - 4	March 2017	
WS8a	Political / Social	Failure to deliver Families & Communities agenda	Opportunities being missed to create or influence the provision of: (i) a thriving voluntary sector and active communities who take the initiative to help the most vulnerable; (ii) people playing a greater role in determining the future of their communities; (iii). improved wellbeing, physical and mental health; (iv) accessible countryside and green spaces.	Probability - 4; Impact - 5	Probability - 3; Impact - 4	March 2017	
WS14 (on all scorecards)	Physical / Social / Legal	Service failure through unplanned events	Reduced level or failure to deliver services to both internal and external clients due to unforeseen events.	Probability - 3; Impact - 4	Probability - 2; Impact - 2	March 2017	
WS19	Economic / Social	Demographic changes	Unable to meet the demands created by population changes (caused by growth, ageing, diversity, employment) including the impact on infrastructure and other related service provision.	Probability - 4; Impact - 2	Probability - 2; Impact - 2	March 2017	

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		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
RESOURCES	FINANCIAL	Year end forecast variance against budget - FHDC	£ 264.00	-	M	Cumulative		HR/Health & Safety (£20k), L&D (£24k), Legal £15k, Democratic £12k, Elections £18k	CUSTOMERS	SATISFACTION	Number of formal complaints	2	No target	B	Period only		1 legal, 1 HR
		Year end forecast variance against budget - SEBC	£ 58,704.00	-	M	Cumulative		HR/Health & Safety £18k, L&D (£10k), Legal £23k, Democratic (£2k), Elections £29k			Number of formal complaints	1	No target	B	Period only		1 HR
		% of non-disputed invoices paid within 30 days	95.52	95.00	M	Cumulative		67 undisputed invoices processed in March 2017		SERVICE	% response rate to Annual Canvass	91.76	95.00	A	Cumulative		
		% of debt over 90 days old	0.00	10.00	M	Cumulative		No debt over 90 days for FHDC or SEBC			Customer Services % of answered calls - elections	83.00	90.00	M	Period only		
	STAFF	Average number of sick days lost per FTE per annum*	6.77	6.50	Q	Cumulative											
INTERNAL PROCESSES	HR	Time taken to complete recruitment process - advert to offer (days)	30.85	35.00	Q	Period only			OUTCOMES	HUMAN RESOURCES	% Voluntary staff turnover *	9.32	7-12	Q	Cumulative		
								% successful staff appointments *			100.00	85.00	Q	Cumulative			
								Reported incidence of injuries, diseases and dangerous occurrences *			1	10	Q	Cumulative			

PROJECTS	Name	Project Lead	Project Stage	Project Status	Approval details	Approved budget	Forecast Spend	Variance	Comments

RISK	RISK ID NUMBER	Type	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	WS Residual Risk	Last updated
	WS4	Professional	Staff retention (professional staff / technical staff). Staff	Lack of staff with appropriate skills, experience and capacity could prevent delivery of services and high levels of	Probability - 5; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS6 (on all scorecards)	Political	Managing public / councillor expectations with less resources	Falling short of providing the level of service that the public and councillors expect and demand.	Probability - 5; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS14 (on all scorecards)	Physical / Social / Legal	Service failure through unplanned events	Reduced level or failure to deliver services to both internal and external clients due to unforeseen events.	Probability - 3; Impact - 4	Probability - 2; Impact - 2	March 2017
	WS16	Legal	Breach of data protection and information security	Failure to ensure the accuracy and control of data. Not using good practice when handling data. Damage to council's	Probability - 4; Impact - 4	Probability - 2; Impact - 3	March 2017
	WS20	Physical	Implementation of the Corporate Health and Safety	Failure to ensure the safety and well being of staff. Failure to provide safe and healthy environment for visitors and the	Probability - 2; Impact - 5	Probability - 1; Impact - 5	March 2017

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		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC	£ 53,715.00	0.00	M	Cumulative		DC £244k , Business including BC £19k , Environment (£192k) including Solar Farm , Economic Development (£13k)	CUSTOMERS	SATISFACTION	Number of formal complaints	10	No target	B	Period only	10 - Development Control / Building Control.	
		Year end forecast variance (under) / over spend against budget - SEBC	£ 77,233.00	0.00	M	Cumulative		DC (£41k) , Business including BC £101k , Environment (£7k), Place Shaping (£13k), Economic Development £34k			Number of formal compliments	20	No target	B	Period only	15 - Development Control / Building Control, 1 - Land charges, 4 - Environmental Health.	
		Spend on professional fees in relation to planning appeals	£ 149,468	No Target	M	Cumulative		Various appeal costs and enforcements action costs			Number of successful appeals - Planning	1	No Target	M	Period only		
		Income received against budget	(£3,290,721.39)	(£2,759,639.00)	M	Cumulative		Includes £500k Solar Farm income unbudgeted			Application decisions needing an extension of time to complete	Data missing	No Target	M	Period only	Data missing	
		% of non-disputed invoices paid within 30 days	93.75	95.00	M	Period only		64 Undisputed invoices processed in March			Total validation backlog	73	No Target	M	Cumulative	Working on getting fully staffed who are fully trained to reduce the backlog	
		% of debt over 90 days old	54.60	10.00	M	Cumulative		FHDC debt £7372.14 - 61.1% over 90 days. SEBC debt £3251.63 - 48.1% over 90 days			% of invalid planning applications received	36%	No Target	M	Period only	Out of the 128 applicants 46 were invalid	
		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
INTERNAL PROCESSES	PLANNING	% of major planning applications determined within 13 weeks	90.00	60.00	M	Period only		There were 10 applications in the month 9 were completed in time. 6/7 were completed for SEBC and 3/3 for FHDC	OUTCOMES	REGULATORY	Renewable energy generated on Council properties (KWh)	63,567	No Target	Q	Period only		
		% of minor planning applications determined within 8 weeks	90.48	65.00	M	Period only		There were 38 cases out of 42 determined both SEBC and FHDC recorded 19 each out of 21			% of food businesses receiving a top food hygiene rating (rating of 5)	81.70	60.00	Q	Period only		
		% of other planning applications determined within 8 weeks	88.16	80.00	M	Period only		67 out of 76 were determined on time of those 51/59 (86%) were SEBC and 16/17 (94%) were FHDC.									
	PLANNING ENFORCEMENT	Number of new enforcement cases opened	42	No Target	M	Period only		29 New cases were opened in SEBC and 13 in FHDC									
		Number of enforcement cases closed	18	No Target	M	Period only		There were 16 cases closed in SEBC and 2 in FHDC									
		Total number of enforcement cases open	304	No Target	M	Period only		There are 304 open cases 198 in SEBC and 106 in FHDC									

PROJECTS	Name	Project Lead	Project Stage	Project Status	Approval details	Approved	Forecast Spend	Variance	Comments

RISK	RISK ID NUMBER	Type	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	WS Residual Risk	Last updated
	WS6 (on all scorecards)	Political	Managing public / councillor expectations with less resources	Falling short of providing the level of service that the public and councillors expect and demand.	Probability - 5; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS8b	Political / Social	Failure to deliver Growth Agenda inc coping with growth and increase in demand	Opportunities being missed to create or influence the provision of: (i) beneficial growth that enhances prosperity and quality of life; (ii) existing businesses that are thriving and new businesses brought to the area; (iii) people with the educational attainment and skills needed in our local economy; (iv) vibrant, attractive and clean high streets, village centres and markets.	Probability - 4; Impact - 5	Probability - 3; Impact - 4	March 2017
	WS14 (on all scorecards)	Physical / Social / Legal	Service failure through unplanned events	Reduced level or failure to deliver services to both internal and external clients due to unforeseen events.	Probability - 3; Impact - 4	Probability - 2; Impact - 2	March 2017
	WS12	Partnership	Loss of a key employer (for example USAFE, Racing Industry, Greene King, WS Hospital, Centre Parcs, British Sugar) - See WS22 for USAFE	Failure to retain major employers in the area and the economic impact that it would have	Probability - 3; Impact - 5	Probability - 2; Impact - 5	March 2017
	WS22	Economic / Social	Effects of the closure of RAF Mildenhall	Negative impact on the local economy, families and community or the housing market	Probability - 5; Impact - 4	Probability - 5; Impact - 2	March 2017

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		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments			
RESOURCES	FINANCIAL	Year end forecast variance against budget - FHDC	(£89,376.00)	-	M	Cumulative		(£71k) Waste, (£22k) Prop Mgmt, (£29k Car Parks). As per budget monitoring report	CUSTOMERS	SATISFACTION	Number of formal complaints	2	No target	B	Period only		2 - Waste	
		Year end forecast variance against budget - SEBC	(£533,877.00)	-	M	Cumulative		(£272k) Waste, (£162k) Operational, (£38 Parks) as per budget monitoring report.			Number of formal compliments	33	No target	B	Period only		15 - Waste, 1 - Street Cleansing, 4 - Leisure	
		Income from entire property portfolio	(£4,377,160.32)	(£4,186,230.00)	M	Cumulative				% of calls answered - Waste	95.00	90.00	M	Period only		above target		
		Income from waste & street scene services	(£2,168,117.87)	(£1,860,184.00)	M	Cumulative				% of calls answered - Apex Box Office	93.00	90.00	M	Period only		above target		
		% of non-disputed invoices paid within 30 days	94.76	95.00	M	Cumulative		903 invoices processed in March.										
		% of debt over 90 days old	72.50	10.00	M	Period only		FHDC Debt £70,725.89 - 58.9% over 90 days. SEBC Debt £376,700.41 - 75% over 90 days										
		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments			
INTERNAL PROCESSES	WASTE MANAGEMENT	Number of household bins not collected as scheduled -per 10,000 properties	3.64	8.25	M	Period only			OUTCOMES	WASTE MANAGEMENT	% of household waste recycled and composted	42.34	42.00	Q	Cumulative			
									PROPERTY	% of industrial units that are vacant	8.13	8.25	M	Cumulative				

PROJECTS	Name	Project Lead	Project Stage	Project Status	Approval details	Approved budget	Forecast Spend	Variance	Comments

RISK	RISK ID NUMBER	Type	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	WS Residual Risk	Last updated
	WS6 (on all scorecards)	Political	Managing public / councillor expectations with less resources	Falling short of providing the level of service that the public and councillors expect and demand.	Probability - 5; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS14 (on all scorecards)	Physical / Social / Legal	Service failure through unplanned events	Reduced level or failure to deliver services to both internal and external clients due to unforeseen events.	Probability - 3; Impact - 4	Probability - 2; Impact - 2	March 2017

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		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC	(£30,437.00)	-	M	Cumulative		Housing Options (£15k) , Public Health £k5 , Housing Development (£12k) Housing Business Partnership (£8k)	CUSTOMERS	SATISFACTION	Number of formal complaints	6	No target	B	Period only		
		Year end forecast variance (under) / over spend against budget - SEBC	£ 1,187.00	-	M	Cumulative		Housing Options £14k, Public Health £9k , Housing Development (£34k) Housing Business Partnership £13k			Number of formal complaints	1	No target	B	Period only		
		DFG mandatory grants paid £	£ 425,696.51	£ 841,200.00	M	Cumulative		Working with senior management to address concerns with DFG delivery, including the Suffolk HIA. Recommending a review to establish the necessary improvements and budget, to avoid further significant underspend in future.		Customer Services % of answered calls - housing	90.00	90.00	M	Period only		met target	
		% of non-disputed invoices paid within 30 days	83.72	95.00	M	Period only		129 Undisputed invoices processed in March		% Private Rented Sector properties with rent at or below the Local Housing Allowance Rate	4.00	4.00	Q	Cumulative		Figure reflects ongoing difficulty in accessing affordable private sector housing.	
		% of debt over 90 days old	27.25	10.00	M	Cumulative		FHDC debt £218.76 - 3.4% over 90 days. SEBC debt £6,681.40 - 51.10% over 90 days									
	Cases per member of staff - Housing Options	29.00	20-30	M	Period only												
STAFF	Cases per member of staff - Housing Standards	43.00	50-60	Q	Period only		The workload remains manageable, in terms of live cases along with other projects and proactive work. This is an important area to monitor, given the changes/measures coming in with the new housing legislation and a reduction in staffing from July, which will initiate a review of how to resource service demands and the business plan. Officers focussed mainly on reactive casework can manage 60 live cases, hence it is manageable across the service.										

		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
INTERNAL PROCESSES	HOUSING OPTIONS	Average time taken to make decisions on homelessness applications (days)	18	14	Q	Period only		There have been staff changes in the team and the service continues to manage an increasing demand	OUTCOMES	HOUSING OPTIONS	Numbers in Bands A & B	964	1,300	M	Cumulative		
	ADDITIONAL HOUSING UNITS REGISTERED WITH WSLP	17	60	Q	Cumulative		Private renting continues to be difficult for people on Housing Benefit, with most Agents either refusing at point of contact or requiring a guarantor.	Household numbers in B&B			21	10	M	Cumulative			
	STRATEGIC HOUSING	Empty properties brought back into use through Council intervention	26	10	Q	Cumulative		A pro-active and graduated approach, with incentives and enforcement interventions, is ensuring that we continue to exceed our target. This approach is embedded now, and we are seeking to refine it through our database to make further progress. We have used grant aid to assist owners to bring their properties back into use and higher level enforcement actions remain an option for those that will not engage with us.		STRATEGIC HOUSING	Number of new affordable homes delivered available for occupation	140	121	Q	Cumulative		Number of affordable properties delivered this year has exceeded target as a number of schemes have been delivered ahead of schedule
	% of units that are affordable on S106 sites	30.00	30.00	Q	Period only		Percentage of affordable housing secured through S106 has been maintained at policy compliant level	HOUSING STANDARDS		Private sector Properties brought up to standard	93	60	Q	Cumulative		A good indication of our interventions to ensure that homes are safe and decent to live in, with the number well in excess of our target. With the private rented sector increasing in size, with low cost accommodation essential for many, it is important that properties are maintained properly and up to standard. The programme of HMO inspections and response to tenant complaints has added to this target.	

PROJECTS	Name	Project Lead	Project Stage	Project Status	Approval details	Approved budget	Forecast Spend	Variance	Comments

RISK	RISK ID NUMBER	Type	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	WS Residual Risk	Last updated
	WS6 (on all scorecards)	Political	Managing public / councillor expectations with less resources	Falling short of providing the level of service that the public and councillors expect and demand.	Probability - 5; Impact - 4	Probability - 3; Impact - 4	March 2017
	WS8c	Political / Social	Failure to deliver Housing Agenda	Opportunities being missed to create or influence the provision of: (i) sufficient housing for current and future generations, including more affordable homes and improvements to existing housing; (ii) new developments that are fit for the future, properly supported by infrastructure, and that build communities, not just housing; (iii) homes that are flexible for people's changing needs.	Probability - 5; Impact - 5	Probability - 4; Impact - 4	March 2017
	WS14 (on all scorecards)	Physical / Social / Legal	Service failure through unplanned events	Reduced level or failure to deliver services to both internal and external clients due to unforeseen events.	Probability - 3; Impact - 4	Probability - 2; Impact - 2	March 2017
	WS21	Social / Legal	Safeguarding children and vulnerable adults	Children and vulnerable adults being treated in an improper manner and not in accordance with legislation.	Probability - 3; Impact - 4	Probability - 2; Impact - 4	March 2017

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Informal Joint Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Balanced Scorecard Indicators and targets 2017-18	
Report No:	PAS/FH/17/011	
Report to and dates:	Performance and Audit Scrutiny Committee	25 May 2017
Portfolio holder:	Steven Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: steven.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	This report sets out the proposed West Suffolk Balanced Scorecards indicators and targets to be used to measure the Council's performance for 2017-2018.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are requested to scrutinise the proposed Balanced Scorecards indicators and targets for 2017-2018 and identify any further information required for their use commencing Quarter 1, 2017/2018 Performance and Audit Scrutiny Committee in July 2017.	

Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:		This report has been prepared in consultation with all relevant staff and Leadership Team.	
Alternative option(s):		The option of doing nothing may result in the balanced scorecards not reflecting the councils objectives.	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Failure to update performance targets may impact on their effectiveness	Medium	Regular review of performance targets at Leadership Team, Portfolio Holders and to PASC.	Low
Ward(s) affected:		All Ward	
Background papers:		None	
Document attached:		Appendix A – Resources and Performance Balanced Scorecard Appendix B – Families and Communities Balanced Scorecard Appendix C – Human Resources, Legal and Democratic Balanced Scorecard Appendix D – Planning and Regulatory Balanced Scorecard Appendix E – Operations Balanced Scorecard	

1. Key issues and reasons for recommendation(s)

1.1 Background

1.1.1 It is necessary to review and update the indicators and formats for Balanced Scorecards at least annually to reflect organisational changes and to ensure they remain in line with the councils strategies.

1.1.2 When reviewing the scorecards it is worthwhile reminding ourselves of the original objectives as follows:

'All of our transformational activities require us to understand our performance. We continue to assess, manage, monitor and develop our overall approach to performance management. This is important because we need information on inputs, outputs, outcomes, risks, use of resources and how we manage projects, both for our own services and those of our partners.'

1.1.3 Having consulted Assistant Directors, other officers and Portfolio Holders the 2017/18 Balanced Scorecards have been adjusted as drafts as attached for review and discussion.

These new formats incorporate;

- All known agreed changes suggested during 2016/17 or as part of this annual review
- Integration of the previous 'Housing' Balanced scorecard into its new management structure across the organisation

1.2 Performance Measures

1.2.1 Attached at **Appendices A to E** are the proposed Balanced Scorecards (based on Assistant Director area) for 2017/18 performance. Growth is in with Planning and Regulatory but will be looked at during 2017-2018 following recruitment of the Assistant Director for growth. Unless otherwise stated, all performance figures on the scorecards are from a West Suffolk perspective.

1.2.2 The information included in the report has been provided by Assistant Directors and service managers. Most indicators will report performance against an agreed target using a traffic light system with additional commentary provided for performance indicators below optimum performance as mentioned above. Other KPIs report a data value only (e.g. no target performance) in order to track performance over time.

1.2.3 The targets are annual to give the full years impact here even where they are reported quarterly on a period or cumulative basis in the reports that go to the Performance and Audit Scrutiny Committee quarterly.

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FY **2017 - 2018**

West Suffolk-Resources & Performance Balanced Scorecard

Appendix A

MONTH **Mar 18** QUARTER

Jan 18 - M **Oct 17 - Mar 18**

ANNUAL

Apr 17 - Mar 18

* These indicators are at organisational level

		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC	-	M	Cumulative		CUSTOMERS	SATISFACTION	Number of formal complaints	No Target	B	Period only	
		Year end forecast variance (under) / over spend against budget - SEBC	-	M	Cumulative				Number of formal compliments	No Target	B	Period only	
		Income generated from SLAs	468,484	M	Cumulative			ORGANISATIONAL	Organisational year end forecast variance (under) / over spend against budget - FHDC *	-	M	Cumulative	
		% return on the investment of reserves and balances - FHDC	0.75	Q	Cumulative				Organisational year end forecast variance (under) / over spend against budget - SEBC *	-	M	Cumulative	
		% return on the investment of reserves and balances - SEBC	0.55	Q	Cumulative				Total income generated by organisation £ *	27,038,020	M	Cumulative	
	FINANCE & PERFORMANCE	% of non-disputed invoices paid within 30 days	95.00	M	Period only				% of total non-disputed invoices paid within 30 days *	95.00	M	Cumulative	
		% of debt over 90 days old	10.00	M	Cumulative				% of total debt over 90 days old *	10.00	M	Cumulative	
		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments
INTERNAL PROCESSES	FINANCE	% of all payments made to us by BACS, Direct Debit, online as opposed to cash & cheque *	100.00	M	Period only		OUTCOMES	ARP	% Collection of Council Tax - FHDC	100	M	Cumulative	
	ICT	% of ICT Helpdesk calls completed 'on time' as defined in SLAs	90.00	Q	Period only				% Collection of Council Tax - SEBC	100	M	Cumulative	
	ARP	Days taken to process Housing Benefit new claims and changes - FHDC	8.00	M	Period only				% Collection of Business Rates - FHDC	100.00	M	Cumulative	
		Days taken to process Housing Benefit new claims and changes - SEBC	8.00	M	Period only				% Collection of Business Rates - SEBC	100	M	Cumulative	
								BUSINESS RATES	Business Rate Growth - FHDC	23,031,392	M	Cumulative	
									Business Rate Growth - SEBC	42,479,078	M	Cumulative	

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FY 2017 - 2018

West Suffolk-Families & Communities Balanced Scorecard

Appendix B

MONTH Mar 18 QUARTER

Jan 18 - M Oct 17 - Mar 18

ANNUAL Apr 17 - Mar 18

		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC	-	M	Cumulative		CUSTOMERS	SATISFACTION	% Customer satisfaction with customer service - overall journey	80.00	Q	Period only	
		Year end forecast variance (under) / over spend against budget - SEBC	-	M	Cumulative				Number of formal complaints	No target	B	Cumulative	
		% of non-disputed invoices paid within 30 days	95.00	M	Cumulative				Number of formal compliments	No target	B	Cumulative	
		% of debt over 90 days old	10.00	M	Cumulative				CUSTOMER SERVICES	% of telephone calls answered	90.00	M	Period only
		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments
INTERNAL PROCESSES	COMMUNICATIONS	Number of unique users of the West Suffolk councils website	450,996	M	Period only		OUTCOMES	CUSTOMER SERVICES	Number & % of contacts - phone	55.00	M	Period only	
		Number of unique page views to the West Suffolk councils website	1,400,004	M	Period only				Number & % of contacts - face to face	15.00	M	Period only	
	HOUSING OPTIONS	Number of applications processed for Housing register	720.00	M	Period only				Number & % of contacts - online	30.00	M	Period only	
		Average time taken to make decisions on homelessness applications (days)	21.00	Q	Period only			HOUSING OPTIONS	Advice & Prevention cases currently open or closed during the month	480	M	Period only	
						Household Numbers in B&B			15.00	M	Period only		
									Numbers in Bands A & B	No target	M	Period only	

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FY **2017 - 2018**

West Suffolk-Human Resources,Legal & Democratic Balanced Scorecard

Appendix C

MONTH **Mar 18**

QUARTER

Jan 18 - Mar 18

Oct 17 - Mar 18

ANNUAL

Apr 17 - Mar 18

		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments
RESOURCES	FINANCIAL	Year end forecast variance against budget - FHDC	-	M	Cumulative		CUSTOMERS	SATISFACTION	Number of formal complaints	No target	B	Period only	
		Year end forecast variance against budget - SEBC	-	M	Cumulative				Number of formal compliments	No target	B	Period only	
		% of non-disputed invoices paid within 30 days	95.00	M	Cumulative			SERVICE	% response rate to Annual Canvass	95.00	A	Cumulative	
		% of debt over 90 days old	10.00	M	Cumulative				Customer Services % of answered calls - elections	90.00	M	Period only	
	STAFF	Average number of sick days lost per FTE per annum*	6.50	Q	Cumulative								
		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments
INTERNAL PROCESSES	HR	Time taken to complete recruitment process - advert to offer (days)	35.00	Q	Period only		OUTCOMES	HUMAN RESOURCES	% Voluntary staff turnover *	7-12	Q	Cumulative	
									% successful staff appointments *	85.00	Q	Cumulative	
								HEALTH & SAFETY	Reported incidence of injuries, diseases and dangerous occurrences *	10	Q	Cumulative	

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FY 2017 - 2018

West Suffolk-Planning & Regulatory-Balanced Scorecard

Appendix D

MONTH Mar 18 QUARTER

Jan 18 - Mar Oct 17 - Mar 18

* These indicators are at organisational level ANNUAL

Apr 17-Mar 18

		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments		
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC		0.00	M	Cumulative		CUSTOMERS	SATISFACTION	Number of formal complaints		No target	B	Period only	
		Year end forecast variance (under) / over spend against budget - SEBC		0.00	M	Cumulative				Number of formal compliments		No target	B	Period only	
		Spend on professional fees in relation to planning appeals		No Target	M	Cumulative			PLANNING	Number of successful appeals - Planning		No Target	M	Period only	
		Income received against budget		2,851,530.00	M	Cumulative				Application decisions needing an extention of time to complete		No Target	M	Period only	
		% of non-disputed invoices paid within 30 days		95.00	M	Period only				Total validation backlog		No Target	M	Cumulative	
		% of debt over 90 days old		10.00	M	Cumulative				% of invalid planning applications received		No Target	M	Period only	
		DFG mandatory grants paid £		Data missing	Q	Cumulative									
	Cases per member of staff - Housing Standards		600	Q	Period only										
Staff															
		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments		
INTERNAL PROCESSES	PLANNING	% of major planning applications determined within 13 weeks		60.00	M	Period only		OUTCOMES	REGULATORY	% of food businesses receiving a top food hygiene rating (rating of 5)		60.00	Q	Period only	
		% of minor planning applications determined within 8 weeks		65.00	M	Period only				HOUSING STANDARDS	Private sector Properties brought up to standard		60.00	Q	Cumulative
		% of other planning applications determined within 8 weeks		80.00	M	Period only			REGULATORY		Renewable energy generated on Council properties (KWh)		846,348	Q	Period only
	Number of new enforcement cases opened		No Target	M	Period only		Renewable energy generated on Solar Farm (MWh)				15,048	Q	Period only		
	Number of enforcement cases closed		No Target	M	Period only		Value generated by Solar Farm (£)				1214000.00	Q	Period only		
	Total number of enforcement cases open		No Target	M	Period only		Solar for Business Income (£)			68070.00	B	Period only			

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FY 2017 - 2018

West Suffolk-Operations Balanced Scorecard

Appendix E

MONTH Mar 18

QUARTER

Jan 18 - M

Oct 17 - Mar 18

* These indicators are at organisational level ANNUAL

Apr 17 - Mar 18

		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments		
RESOURCES	FINANCIAL	Year end forecast variance against budget - FHDC		-	M	Cumulative		CUSTOMERS	SATISFACTION	Number of formal complaints		No target	B	Period only	
		Year end forecast variance against budget - SEBC		-	M	Cumulative				Number of formal compliments		No target	B	Period only	
		Income from entire property portfolio		4,186,230	M	Cumulative			SERVICE	% of calls answered - Waste		90.00	M	Period only	
		Income from waste & street scene services		1,860,184	M	Cumulative				% of calls answered - Apex Box Office		90.00	M	Period only	
		% of non-disputed invoices paid within 30 days		95.00	M	Cumulative									
		% of debt over 90 days old		10.00	M	Period only									
		Current Value	Target	Frequency	Type	Comments			Current Value	Target	Frequency	Type	Comments		
INTERNAL PROCESSES	WASTE MANAGEMENT	Number of household bins not collected as scheduled -per 10,000 properties		99	M	Period only		OUTCOMES	WASTE MANAGEMENT	% of household waste recycled and composted		42.00	Q	Cumulative	
										Residual household waste per household - Kgs		520.00	Q	Cumulative	
									PROPERTY	% of industrial units that are vacant		8.25	M	Cumulative	

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Informal Joint Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	West Suffolk Strategic Risk Register Quarterly Report – March 2017	
Report No:	PAS/FH/17/012	
Report to and date:	Performance and Audit Scrutiny Committee	25 May 2017
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660158 Email: stephen.edwards@forest-heath.gov.uk	
Lead officer:	Joanne Howlett Service Manager (Finance and Performance) Tel: 01284 757264 Email: joanne.howlett@westsuffolk.gov.uk	
Purpose of report:	To review the West Suffolk Strategic Risk Register Quarterly Monitoring Report	
Recommendation:	Performance and Audit Scrutiny Committee: It is <u>RECOMMENDED</u> that Members scrutinise the updated West Suffolk Strategic Risk Register at Appendix 1 and refer any major issues requiring attention to Cabinet.	
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:	• Not Applicable	
Alternative option(s):	• Not Applicable	

Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> There are no direct financial or budget implications arising from this report. Specific risks associated with finance and resources are included in the West Suffolk Strategic Risk Register at Appendix 1 	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Are there any equality implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
See individual assessments against each risk as detailed in Appendix 1			
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		None	
Documents attached:		Appendix 1 - West Suffolk Strategic Risk Register 2016/2017	

1. Key issues and reasons for recommendation(s)

1.1 Key Issues and Summary

- 1.1.1 The West Suffolk Strategic Risk Register is updated regularly by the Risk Management Group. The Group is comprised of service representatives, including Health and Safety, supported by a Director and the Portfolio Holder for Resources, Governance and Performance. Heads of Service may be required to provide further information as requested by the Group.

As a result of this quarters review a summary is now included showing the overall risk grid and where each identified risk is located on it. In addition the main description heading has been adjusted slightly, and Portfolio holders have been added to the current owners column.

- 1.1.2 At its most recent assessment in April 2017, the Group reviewed the Target Risk, the risk level where the Council aims to be, and agreed a Current Risk assessment. These assessments form the revised West Suffolk Strategic Risk Register at **Appendix 1**.
- 1.1.3 Part of this assessment included the consideration of the controls and actions in place to address the individual risks. Where Target Risk levels are lower than the Current Risk assessment, further action is either being taken or planned in order to treat the risk and meet the target.
- 1.1.4 Some individual controls or actions have been updated and those that were not ongoing and had been completed by March 2017 have been removed from the register.
- 1.1.5 Minor amendments have been made to the Strategic Risk Register to reflect the change in job title from Head of Service to Assistant Director.

1.2 New or Amended Risks

- 1.2.1 There have been no major amendments to current risks nor any new risks added during this reporting period. Where necessary actions, controls and target dates have been updated.

1.3 Closed Risks

- 1.3.1 No existing risks have been closed since the Strategic Risk Register was last reported to this committee.

1.4 Impact of Brexit

- 1.4.1 The group will continue to monitor the situation as it develops, amending existing and / or adding new risks where necessary. These changes will be reported each meeting in the normal manner.

1.5 Reasons for Recommendations

- 1.5.1 The Council's Strategic Plan for 2014/2016, adopted by the Council in February 2014, and extended to cover 2017, includes three key priority areas supported

by a range of actions to deliver specific outcomes.

- 1.5.2 The West Suffolk Strategic Risk Register identifies and records the level of risk associated with delivering the Council's plans alongside meeting its statutory responsibilities and the organisation's overall ability to respond to change. Through assessment of risk and the likelihood and impact of potential failure to meet these challenges, the level of controls and where possible, action required is identified and implemented.

Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
WS1 A	10-Jul-14	Financial	Assistant Director & Portfolio Holders- Resources and Performance	Poor financial management	Failure in specific areas to achieve projected income, or expenditure exceeds the approved budgets (revenue or capital).		C	1) Monthly monitoring reports (revenue and capital) to budget holders and Leadership Team. Quarterly revenue and capital monitoring reports to PASC.	Assistant Director - Resources & Performance	N/A	N/A	
							C	2) Business rate retention income and localising of Council tax being monitored monthly by Finance and ARP	Assistant Director - Resources & Performance	N/A	N/A	
							C	3) Regular meetings between budget holders and Resources and Performance business advisors/partners	Service Managers / Business Partners / Advisers	N/A	N/A	
							C	4) Scrutiny of financial reports by LT and Members through Performance and Audit Scrutiny Committee	LT	N/A	N/A	
							A	5) Financial system upgrade/development in order to take advantage of latest budget planning / monitoring functionality.	LT		Mar-18	
							A	6) Strengthen the overall Performance Management Framework. E.g. Balanced Scorecards, PDRs, (also see WS18), Risk management, Project monitoring, Financial Reporting.	LT	Apr-17	Dec-17	
							C	7) Regular updates of projects, assessment of any additional risks associated with new projects.	LT	N/A	N/A	
							C	8) Monitoring of investment decisions and original business cases targets/outcomes through Business Partner Model.	Assistant Director - Resources & Performance	N/A	N/A	
							C	9) Longer term financial planning across MTFS.	Assistant Director - Resources & Performance	Sep-16	N/A	
WS1 B	10-Jul-14	Financial	Assistant Director & Portfolio Holders- Resources and Performance	Poor financial planning	Failure to deliver a sustainable Medium Term Financial Strategy, especially in view of continued financial uncertainty around areas such as Comprehensive Spending Review, localisation of Business Rates, increased service demand, and use of reserves. Over reliance on any one particular MTFS theme such as behaving more commercially or being an investing authority		A	1) Annual Budget preparation focus on MTFS and key uncertainties including Business Rate Retention in 2020. Delivery on six MTFS themes.	LT	N/A	N/A	
							C	2) Demand trends and financial implications validated as part of budget setting. Using monitoring reports to identify trends.	Service Managers / Business Partners / Advisers	N/A	N/A	
							C	3) Medium Term Financial Strategy update - including review of assumptions, sensitivity analysis and review of reserve and balance levels	Assistant Director - Resources and Performance	N/A	N/A	
							C	4) Scrutiny of financial reports by LT and Members through Performance and Audit Scrutiny Committee	LT	N/A	N/A	
							C	5) Monitor Government statements on future of local government funding	LT	N/A	N/A	
							C	6) New investment proposals to be considered through the Councils governance and decision making process including challenge by -Business Partners.	LT	N/A	N/A	
							C	7) Use of data and intelligence in forecasting future scenarios.	LT	N/A	N/A	

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RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid?Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
							C	8) Keep a careful eye on Brexit implications re European funding and service delivery	LT	N/A	N/A	
							A	9) Project resources review ensuring the appropriate capacity and skills to take forward ambitious agenda.	LT	Sep-16	Mar-18	
WS2	10-Jul-14	Customer	Assistant Director & Portfolio Holders- Families & Communities	Maintain and promote our public image, maintain effective communications	Lack of public trust and confidence in the councils leads to a poor reputation.Councils need to champion their area and be a trusted part of the community.It is vital therefore in making sure people access services,which often means the handling of sensitive information, that the councils have a strong reputation.This is also the case in working with communities to deliver growth or large projects as well as in times of crisis,when the council must be a trusted source of information.Therefore Councils need a good reputation to enter positive partnerships with others, or secure funding. This could also potentially impact on our ability to recruit staff in competitive market.		C	1) Monitor and measure media coverage through daily media alerts and, where appropriate, provide a robust response.	Service Manager (Strategic Communications)	N/A	N/A	
							C	2) Public stakeholders have a range of channels including news and social media to disseminate information about West Suffolk services and strategic priorities and address errors or misrepresentation.	Service Manager (Strategic Communications)	N/A	N/A	
							C	3) Train and support staff and Members in proactive communications, liaising with the media and using	Service Manager (Strategic Communications)	N/A	N/A	
							C	4) Deliver strategic communications plan and work with them to engage appropriately with communities to encourage channel shift.	Service Manager (Strategic Communications)	N/A	On-going	
							A	5) Ensure that appropriate communications planning and support are identified for strategic projects as per individual project plans	Service Manager (Strategic Communications)	Aug-14	On-going	
							C	6) Carry out timely and proportionate consultation that is available in an accessible format for everyone who wants to give us their views on a particular matter.	Service Manager (Corporate Policy)	N/A	N/A	
WS3	10-Jul-14	Customer	Assistant Director & Portfolio Holders- Families & Communities	Failure to deliver channel shift (Customer Access Strategy)	Service delivery methods do not meet customer needs or expectations with potential to damage Councils' reputation; customer expectations need to be understood and managed;Councils' not appreciating and/or delivering methods of contact and response time which are expected by customers.		C	1) Continue to develop new web presence with full digital by default capability.	Assistant Director - Families & Communities	N/A	N/A	
							C	2) Clear and consistent public communications to explain changes to services and establish realistic expectations of service levels.	Service Manager (Corporate Communications) and Service Manager (Customer Service)	N/A	N/A	
							C	3) Continuing development to ensure web site remains fit for purpose.	Assistant Director - Families & Communities	N/A	N/A	
							C	4) Anglia Revenues Partnership, (ARP), project to rewrite and redesign website now underway. Customer service support to be provided to ensure there is an effective customer journey.	Assistant Director - Families & Communities, Assistant Director - Resources and Performance	N/A	Completed	
							A	5) Anglia Revenues Partnership, (ARP), Strategic (Transformation) Plan outlining the future role of ARP to be developed.	Director (JC)	Jul-16	Mar-17	

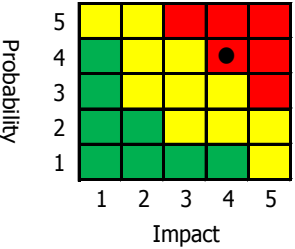
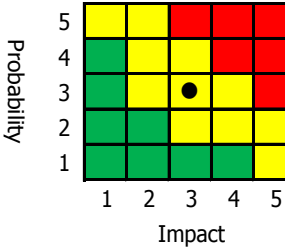
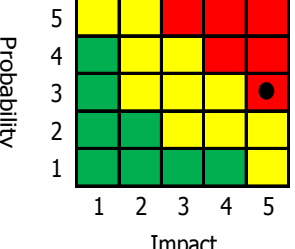
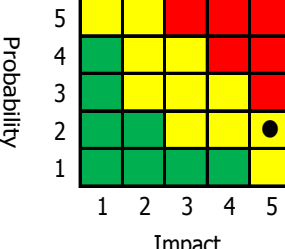
Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid?Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
WS4	10-Jul-14	Professional	Assistant Director & Portfolio Holders - Human Resources, Legal & Democratic Services	Staff retention (professional staff / technical staff) and recruitment. Staff trust and goodwill (morale)	Lack of staff with appropriate skills, experience and capacity could prevent delivery of services and high levels of performance. Failure to have motivated staff with appropriate workload.		A	1) OD strategy focussing on Employer Brand, Flexible and Agile Workforce, Talent management linked to performance management.	HR Manager	Reviewed OD plan 2016	Mar-17	
							C	2) Regularly evaluate outcome of Performance Reviews to identify talent management to inform succession planning.	HR Manager	Jun-14	Ongoing	
							C	3) New intranet facilities providing consistent and regular communication to officers and members, with the opportunity to provide feedback now in place.	Service Manager (Corporate Communications)	N/A	Completed	
							A	4) Annual workforce monitoring data presented to the West Suffolk Joint Staff Consultative Panel; no significant issues raised.	HR Manager	N/A	On-going	
							A	5) Salary benchmarking has been undertaken and remains under review. Review Pay Policy. Monitor Recruitment to identify challenging areas to address. Maintain focus on strong employer brand. Review of payline and structure may need to be considered. National work commenced on the NJC/Job Evaluation/Pay and Reward work linked to the	Assistant Director - HR, Legal and Democratic Services	N/A	ongoing	
							A	6) Review of skills and structures to ensure successful delivery of MTFS and associated growth projects	Assistant Directors and Service Managers	Dec-16	On-going	
WS6	10-Jul-14	Political	Chief Executive & Leaders	Managing public / councillor expectations with less resources	Falling short of providing the level of service that the public and councillors expect and demand.		C	1) Understand and communicate priorities and expectations through Strategic Plan and MTFS	LT	N/A	Oct-17	
							C	2) Assign dedicated corporate project resources to support new projects as they arise.	LT	N/A	N/A	
							A	3) Review and align service and skilled resources available to the strategic plan including communicate resources.	LT	Jun-14	On-going	
							C	4) Regular monitoring and update discussions with portfolio holders on the corporate project plan progress	LT	N/A	N/A	
							C	5) Regular monitoring of Balanced Scorecards to include complaints, compliments and trends.				

Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid?Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
WS7	10-Jul-14	Technological Financial Customer	Service Manager (Corporate Policy) / All Assistant Directors & Portfolio Holders	Poor project management	Key strategic outcomes not being delivered due to projects failing to be completed on time. Budgets are overspent due to delays. Peaks and troughs in resource demands for support services are not managed, resulting in unmanageable workloads for e.g. IT team, exacerbating the delays.		A	1) Maintain and develop an efficient programme and project management framework understanding timetabling and interdependencies between projects and programmes (led by Service Manager Corporate	Service Manager Corporate Policy	May-17	On-going	
							A	2) Maintain oversight of corporate project matrix at Leadership Team, to manage demands on services and resource appropriately.	Service Manager Corporate Policy	May-17	On-going	
							A	3) Training and support to staff involved in corporate projects including key project management skills.	L&D team/Service Manager Corporate Policy	May-17	On-going	
							C	4) Project support and resources to be included in future Project Initiation Documents and project business cases, including support services such as: ICT, Finance, Legal and Property	LT and All Service Managers	May-17	On-going	
							C	5) Early identification of Corporate capacity / priorities as part of business plan / project initiation. Review of programmes to assist with prioritisation.	LT	May-17	On-going	
							C	6) Carry out Project Close Out Reports and Project Health Checks as appropriate.	LT and All Service Managers	May-17	On-going	
WS7a	10-Jul-14	Technological	Assistant Director & Portfolio Holders- Resources and Performance	ICT integration	Integration of ICT across services and systems not being achieved. Failure to keep Business Applications aligned.		A	1) Maintain alignment of ICT infrastructure and corporate systems through corporate project planning	Infrastructure Support Manager	Jun-14	On-going	
							A	2) Continued Business Applications integration / alignment.	Project Managers & Service Manager (ICT)	Jun-14	Individual project plans	
							C	3) Regular review of both integration programmes for strategic fit and resources/skills capacity through corporate projects plan.	Service Manager Corporate Policy/ LT	N/A	N/A	
							C	4) Monthly testing of the Council PSN compliance including the checking and monitoring of new and existing staff. No tolerance approach adopted.	Infrastructure Support Manager	N/A	N/A	
							A	5) Development of a West Suffolk Information Strategy and links to the wider public sector integration agenda (Transformation Challenge Award).	Service Manager (ICT)	N/A	Dec-17	

Type: A = Action, C = Control													
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk	
WS8	10-Jul-14	Political Social											
Page 105	(a)		Assistant Director & Portfolio Holders- Families & Communities	Failure to deliver; Families & Communities agenda	Opportunities being missed to create or influence the provision of:		C	1) Initial Families & Community Strategy now complete. Continuous development and review of strategy to ensure that it remains fit for purpose. Review of F & C scheduled to complement the development of a new Westy Suffolk Strategic Plan.	Service Manager (Families & Communities)	Jul-17	Feb 18		
					(i) a thriving voluntary sector and active communities who take the initiative to help the most vulnerable			C					2) Continue to develop the Families and Communities Officers role and new ways of working with councillors and the wider team.
					(ii) people playing a greater role in determining the future of their communities			A					3) Locality budgets and Community Chest funds available. Ensure both are used effectively and as intended.
					(iii). improved wellbeing, physical and mental health								
					(iv) accessible countryside and green spaces								
	(b)			Assistant Director & Portfolio Holders - Growth	Failure to deliver; Growth Agenda inc coping with growth and increase in demand		C	1) Developing engagement with the two Local Enterprise Partnerships. Deliver Six Point Plan for Jobs and Growth. Monitoring the local economy.	Assistant Director - Growth	N/A	N/A		
					(i) beneficial growth that enhances prosperity and quality of life			C					2) Small budget to support businesses with grants. Business rate income being closely monitored from April 2013 by ARP. Developing Inward Investment strategy. Increase Business engagement
					(ii) existing businesses that are thriving and new businesses brought to the area			C					3) Support to WSC, SCC, UCS and other agencies involved with skills development. Monitoring attainment levels.
					(iii) people with the educational attainment and skills needed in our local economy			C					4) Continue to develop close working relationships with Whitehall, Norfolk partners, LEPS to influence the design of any devolution agreements and business rates retention schemes.
					(iv) vibrant, attractive and clean high streets, village centres and markets			A					5) Development and delivery of Local Plans
						A	6) Continued development of enterprise zones. Development of a joint plan to 2020/21.	Assistant Director - Growth		Feb-17			

Type: A = Action, C = Control													
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk	
Page 106	(c)		Assistant Director & Portfolio Holders - Growth, Families & Communities and Planning.	Failure to deliver; Housing Agenda	Opportunities being missed to create or influence the provision of:		C	1) West Suffolk Housing strategy adopted, implementation of agreed Action Plan, with annual monitoring .Review of Housing Strategy to be undertaken in 2017.	Assistant Directors for Growth, Families and Communities and Planning.	N/A	N/A		
					(i) sufficient housing for current and future generations, including more affordable homes and improvements to existing housing			C					2) Cambridge Sub-regional Strategic Housing Market Assessment completed 2008 to identify levels of need, with annual updates and reviews.
					(ii) new developments that are fit for the future, properly supported by infrastructure, and that build communities, not just housing			C					3) Local Investment Plan 2014-18 approved by HCA, now working with RP partners to deliver. Quarterly monitoring of plan and annual review.
					(iii) homes that are flexible for people's changing needs			C					4) West Suffolk Choice Based Lettings Scheme regularly reviewed to reflect changes in legislation. Scheme re-tendered June 2015, with new system fully operational by June 2016, operation of scheme monitored through CBL Management Board.
								A					5) Review of the West Suffolk Lettings Partnership scheme commenced to assess whether scheme should continue or not.
								A					6) Disabled Facilities Grants process and Home Improvement Agency contract reviewed with partners in order to introduce a more co-ordinated and integrated service across agencies. New service introduced in May 2016, there are on-going difficulties with new scheme which has resulted in the need for dedicated contract management to be introduced. A formal review of the contract is currently away which will be concluded in January 2017.
								A					7) Establishment of commercial Housing Development Company in partnership with Suffolk County Council to build open market, private rented and affordable housing, Company incorporated March 2016. Initial Business Plan approved in Dec 2016, with work commencing on delivery plan and seeking planning permission for sites in January 2017.
								A					8) Monitor implications of new Housing & Planning Bill proposals - a watching brief. Briefing note on housing aspects of Bill circulated to senior officers and members in March 16. Still awaiting publication by DCLG of details on how the details of the Bill will be enacted." Housing White Paper also expected to be published in January 2017.

Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid?Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk

Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
WS11	10-Jul-14	Economic Financial Competitive	Chief Executive / Directors & Portfolio Holders	Failure to adapt to new public sector models, explore opportunities with partners	West Suffolk fails to deliver better services for public sector customers (regardless of the organisation), fails to close its budget gap due to missing opportunities for new sources of funding and opportunities for savings through economies of scale and better integration; or fails to take account of wider changes in national and local government legislation and policy (including EU).		C	1) Keep a watching brief on, and disseminate information on new policies, funding models and opportunities through DCLG, RSN, LGA, EELGA etc.	Service Manager (Corporate Policy)	N/A	N/A	
							C	2) Maintain good relationships with public sector partners, e.g. CCG, SCOLT, SCEG, ARP authorities to hear of, and take opportunities arising from opportunities for partnership working.	Chief Executive and Directors	N/A	N/A	
							C	3) Robust business cases for identified opportunities.	LT	N/A	N/A	
							C	4) Keeping a watching brief on the new/changing National policies with Suffolk colleagues, including Brexit and local government funding changes and play an active part in the Devolution process for Norfolk, Suffolk and the wider East Anglia area, (also see WS8(b) 4).	Chief Executive and Directors	N/A	N/A	
							A	5) Lead the integration and rationalisation of the public estate through membership, and local leadership, of the Government's One Public Estate Programme.	Director	Jul-14	On-going	
							A	6) LT document "West Suffolk: Promoting Physical Activity"			Completed	
							A	Explore shared services opportunities with other Local Authorities	LT	Apr-15	On-going	
WS12	10-Jul-14	Partnership	Assistant Director & Portfolio Holders - Growth	Loss of a key employer (for example USAFE, Racing Industry, Greene King, WS Hospital, Centre Parcs, British Sugar) Please see Risk WS22 for USAFE.	Failure to retain major employers in the area and the economic impact that it would have		A	1) Liaison with the key employers to understand issues and opportunities by: coordinating and attending the West Suffolk Business Forum; organising the West Suffolk Business Festival (which provides opportunities for engagement with key employers); arranging visits to key employers for Leadership Team; promoting the ED team as a key point of contact for businesses and as a result responding to concerns and issues raised; and meeting and supporting business leaders in conjunction with the New Anglia Local Enterprise Partnership Growth Hub advisors.	Assistant Director - Growth	Jun-14	On-going	
							C	2) Ensuring there is sufficient employment land / premises for expansion.	Assistant Director - Growth	N/A	N/A	
							C	3) Understand skills shortage and requirements by linking business to education providers and encourage businesses to take on apprentices.	Assistant Director - Growth	N/A	N/A	
							A	4) Help businesses access third party funding.	Assistant Director - Growth	Jun-14	On-going	
							A	5) Further development of the six point jobs and growth plan.	Assistant Director - Growth	Jun-14	On-going	
							A	6) In the worst case scenario (actions 1 - 5 ineffective) the ED team liaises with key partners such as Job Centre Plus and West Suffolk College to mitigate the impact of downsizing/restructuring.	Assistant Director - Growth			

Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
WS13	10-Jul-14	Partnership Financial	Directors & Portfolio Holders	Partner / Public Sector failure	Partners or partnerships failing; cost shunting (transfer of costs between partners); partnerships not achieving desired outcomes.		C	1) Ensure robust SLA (Service Level Agreement) & Joint Venture arrangements are in place. Ensure good due diligence procedures are used.	All Assistant Directors	N/A	N/A	
							C	2) Regular monitoring of arrangements / outcomes.	All Assistant Directors	Jun-14	N/A	
							A	3) Regular meetings with key partners, including fortnightly Suffolk CEO meetings to discuss impact and potential response of the Suffolk wide system. Ensure effective engagement in the Transformation Challenge Award.	All Assistant Directors	Jun-14	On-going	
							A	4) Ensure effective engagement in the Transformation Challenge Award.	CEO and LT	Jun-14	On-going	
							C	5) Understand the cumulative impact of complex partnership delivery arrangements.	CEO and LT	Dec-15	N/A	
WS14	10-Jul-14	Physical Social Legal	Director & Portfolio Holders	Service failure through unplanned events	Reduced level or failure to deliver services to both internal and external clients due to unforeseen events.		A	1) Services must have a workable Business Continuity Plan in place.	All Assistant Directors/All staff	Aug-14	On-going	
							C	2) Combined West Suffolk Business Continuity Plan is in place for major identified threats, regularly reviewed and practised.	LT	N/A	N/A	
							C	3) Appointed officers within each service to be responsible for the continuity plans.	All Assistants Directors / Appointed Officers	N/A	N/A	

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Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
WS16	10-Jul-14	Legal	Director & Portfolio Holders	Breach of data protection and information security	Failure to ensure the accuracy and control of data. Not using good practice when handling data. Damage to council's reputation. Avoid legal challenge. Prevent potential claims for compensation.		C	1) Information governance group coordinates councils' approach to risks.	Director	N/A	N/A	
							C	2) Records Management Working Group to coordinate councils' approach to records management.	Director	N/A	N/A	
							C	3) Regular buildings checks to ensure information is held securely.	Service Manager (Internal Audit)	N/A	N/A	
							A	4) Entrance barriers to staff entrance at WSH now installed. Barriers to other entry points to be kept under review with partners at SCC.	Service Manager (Property Services)	Aug-14	Nov-15 Barriers to staff entrance completed	
							A	5) Improve staff and member communication on good practices and data security.	Service Manager (Corporate Communications)	Apr-14	On-going	
							A	6) Information Security e-learning - 1st phase, existing officers, completed. All new staff and members to complete module as part of induction programme.	Director	Apr-14	On-going	
WS18	10-Jul-14	Customer Financial Professional	Assistant Director & Portfolio Holders - Resources & Performance	Poor Performance Management	Risk of individual services having below par performance levels and possible dips in performance while establishing new service models.		C	1) Performance and Audit Scrutiny Committee (PASC) receive comprehensive performance monitoring report.	Assistant Director - Resources & Performance / R&P Business Partners	N/A	N/A	
							A	2) Early identification, reporting and monitoring of potential problem areas.	Service Managers / Business Partners / Advisers	Aug-14	On-going	
							C	6) Strengthen the overall Performance Management Framework. E.g. Balanced Scorecards, PDRs, (also see WS18), Risk management, Project monitoring, Financial Reporting.	LT	Apr-17	Dec-17	
							C	4) Use PDR's to aid early identification of potential problem areas.	Line Managers	N/A	N/A	
WS19	10-Jul-14	Economic Social	All Assistant Directors & Portfolio Holders	Demographic changes	Unable to meet the demands created by population changes (caused by growth, ageing, diversity, employment) including the impact on infrastructure and other related service provision.		C	1) Key services (planning, housing and waste) use forecasting models (e.g. East of England forecasting model, POPGROUP) to build population change into future service planning.	Assistant Director - Families and Communities/ Planning / Growth/Operations	N/A	N/A	
							A	2) Monitor, research and analysis around demographics through DCLG, ONS, LGA, LGC and other sources and share key findings with relevant services.	Service Manager (Corporate Policy)	Jun-14	On-going	
							A	3) Attend meetings of Suffolk Information Forum and Transformation Challenge Award Data and Intelligence work stream to share best practice around population monitoring and forecasting. NB particular attention needs to be paid to Forest Heath due to population forecasts not being able to deal accurately with USAFE population.	Service Manager (Corporate Policy)	Jun-14	On-going	

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RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
WS20	10-Jul-14	Physical	Assistant Director & Portfolio Holders - Human Resources, Legal & Democratic Services	Implementation of the Corporate Health and Safety Policy	Failure to ensure the safety and well being of staff. Failure to provide safe and healthy environment for visitors and the general public. Risk of HSE (Health & Safety Executive) prosecutions.		C	1) Corporate Health and Safety strategy, objectives and implementation plans in place for all internal and external functions performed by the Council.	Health & Safety Manager	N/A	N/A	
							A	2) Well being programme in place.	Health & Safety Manager	Jun-14	On-going	
							C	3) Requirement for all staff to complete online H&S training and members to complete appropriate H&S induction programme.	Health & Safety Manager	N/A	N/A	
							A	4) Communications to staff.	Health & Safety Manager	Jun-14	On-going	
							A	5) Appropriate insurances in place and regularly reviewed.	Health & Safety Manager	Jun-14	On-going	
							C	6) Continue a programme of health and safety audits according to H&S Risk.	Health & Safety Manager	N/A	N/A	
WS21	10-Jul-14	Social Legal	Service Manager & portfolio Holders- Strategic Housing	Safeguarding children and vulnerable adults	Children and vulnerable adults being treated in an improper manner and not in accordance with legislation.		A	1) Working in Countywide safeguarding partnership.	Service Manager- Strategic Housing	Jul-09	On-going	
							C	2) Safe recruitment procedures are adopted for all staff recruitment.	Assistant Director - HR, Legal & Dem Services	Jul-09	On-going	
							A	3) Regular staff and member training and briefing sessions taking place included as part of induction and training programme.	Service Manager- Strategic Housing/HR, Legal & Dem services	Jun-14	On-going	
							C	4) Operational links into the MASH (Multi Agency Safeguarding Hub) to be reviewed to ensure appropriate referrals are being made.	Service Manager- Strategic Housing	N/A	N/A	
							A	5) Ensure appropriate training is provided to front-line staff.	Service Manager- Strategic Housing	Nov-15	01/04/2016 Initial training completed - continued ongoing development.	
WS22	21-Apr-15	Economic and social	Director & Portfolio Holders	Effects of the closure of RAF Mildenhall	Negative impact on the local economy, families and community or the housing market		A	1) Update the Mildenhall, Alconbury and Molesworth Working Group governance to reflect Mildenhall and Lakenheath issues.	Director (JK)	Feb-15	Jan-17	
							A	2) Co-ordinate and lead the Forest Heath member-led local Mildenhall and Lakenheath Airbases Group	Director (JK)	Mar-15	On-going	
							A	3) Commission an impact study to measure the impact of the USAFE on West Suffolk and the surrounding areas. Submission of prospectus to Central Government on future delivery of site by Mid November 16. Working closely with Cabinet Office, Treasury & HCA to influence Government thinking.	Director (JK)	Apr-15	Prospectus completed. Working with Cabinet Office etc. on-going	
							A	4) Work with external partners (including USAFE and UK Military) and internal departments to consider the actions to mitigate the impact of the net loss in USAFE personnel and also to consider opportunities for the RAF Mildenhall site in the context of the Government's One Public Estate Programme.	Director (JK)	Feb-15	On-going	

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RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid?Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
							A	5) Set up a joint MOD, HCA, SCC & FHDC project team for the future of the site. Jointly investigate site conditions and site master plan.	Director (JK)	Dec-16	Project team Mar 17. Master plan 2018	

Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid?Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk

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Informal Joint Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Work Programme Update	
Report No:	PAS/FH/17/013	
Report to and date:	Performance and Audit Scrutiny Committee	25 May 2017
Chairman of the Committee:	Louis Busuttill Chairman of the Performance and Audit Scrutiny Committee Tel: 01638 810517 Email: louis.busuttill@forest-heath.gov.uk	
Lead officer:	Christine Brain Democratic Services Officer (Scrutiny) Tel: 01638 719729 Email: Christine.brain@westsuffolk.gov.uk	
Purpose of report:	To update members on the current status of its Work Programme, attached at Appendix 1.	
Recommendation:	Performance and Audit Scrutiny Committee: It is <u>RECOMMENDED</u> that: Members consider and <u>note</u> the current status of its Work Programme for 2017-2018.	

Performance and Audit Scrutiny Committee Work Programme (Forest Heath District Council)

Description	Lead Officer
27 July 2017 (Time: 5.00pm) Informal Joint Meeting (Hosted by St Edmundsbury Borough Council)	
Joint Reports	
Balanced Scorecard and Quarter 1 Performance Report 2017-2018	Senior Business Partner (Resources and Performance)
West Suffolk Strategic Risk Register – Quarter 1 – June 2017	Assistant Director (Resources and Performance)
Work Programme Update	Democratic Services Officer (Scrutiny)
Forest Heath Specific Reports	
Financial Performance Report (Revenue and Capital) Quarter 1 – 2017-2018	Assistant Director (Resources and Performance)
Annual Treasury Management Report 2016-2017 and Investment Activity (April - June 2017)	Service Manager (Finance and Performance)
21 September 2017 (Time: 6.00pm)	
EY – 2016-2017 ISA 260 Annual Results Report to those Charged with Governance	Assistant Director (Resources and Performance)
West Suffolk Local Code of Corporate Governance	Assistant Director (Resources and Performance)
West Suffolk Annual Governance Statement 2016-2017	Assistant Director (Resources and Performance)
2016-2017 Statement of Accounts	Assistant Director (Resources and Performance)
Delivering a Sustainable Budget 2018-2019	Assistant Director (Resources and Performance)
Annual Corporate Environmental Statement 2016-2017	Acting Assistant Director (Regulatory Services)
Work Programme Update	Democratic Services Officer (Scrutiny)
29 November 2017 (Time: 5.00pm) Informal Joint Meeting (Hosted by Forest Heath District Council)	
Joint Reports	
Mid-year Internal Audit Progress Report 2017-2018	Service Manager (Internal Audit)
Balanced Scorecards Quarter 2 Performance Report 2017-2018	Senior Business Partner (Resources and Performance)
West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2017	Assistant Director (Resources and Performance)
Work Programme Update	Democratic Services Officer (Scrutiny)

Forest Heath Specific Reports	
EY – Annual Audit Letter 2016-2017	Assistant Director (Resources and Performance)
Financial Performance Report (Revenue and Capital) Quarter 2 – 2017-2018	Assistant Director (Resources and Performance)
Delivering a Sustainable Budget 2018-2019 - Update	Assistant Director (Resources and Performance)
Mid-year Treasury Management Report and Investment Activity (April – September 2017)	Service Manager (Finance and Performance)
31 January 2018 (Time: 5.00pm) Informal Joint Meeting (Hosted by St Edmundsbury Borough Council)	
Joint Reports	
Balanced Scorecards Quarter 3 Performance Report 2017-2018	Senior Business Partner (Resources and Performance)
West Suffolk Strategic Risk Register Quarterly Monitoring Report – December 2017	Assistant Director (Resources and Performance)
Work Programme Update	Democratic Services Officer (Scrutiny)
Forest Heath Specific Reports	
Financial Performance Report (Revenue and Capital) Quarter 3 – 2017-2018	Assistant Director (Resources and Performance)
Delivering a Sustainable Budget 2018-2019 – Update	Assistant Director (Resources and Performance)
Treasury Management Report 2017-2018 and Investment Activity (April – December 2017)	Service Manager (Finance and Performance)
Annual Treasury Management and Investment Strategy Statements 2018-2019	Service Manager (Finance and Performance)
31 May 2018 (Time: 5.00pm) Informal Joint Meeting (Hosted by Forest Heath District Council)	
Joint Reports	
Internal Audit Report (2017-2018) and Outline Internal Audit Plan (2018-2019)	Service Manager (Internal Audit)
Balanced Scorecard and Quarter 4 Performance Report 2017-2018	Senior Business Partner (Resources and Performance)
Balanced Scorecards Indicators and Targets for 2018-2019	Senior Business Partner (Resources and Performance)
West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2018	Assistant Director (Resources and Performance)
Work Programme Update	Democratic Services Officer (Scrutiny)
Forest Heath Specific Reports	
EY – Annual Certification Report 2016-2017	Assistant Director (Resources and Performance)
EY – External Audit Plan and Fees 2017-2018 and 2018-2019 Indicative Fees	Assistant Director (Resources and Performance)
Financial Outturn Report (Revenue and Capital) 2017-2018	Assistant Director (Resources and Performance)

Future Items to be Programmed

Key Performance Indicator (WS/HOU009) – Report on the Future of the West Suffolk Lettings Partnership

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Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Financial Performance Report (Revenue and Capital) Outturn – 2016-2017	
Report No:	PAS/FH/17/014	
Report to and dates:	Performance and Audit Scrutiny Committee	25 May 2017
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: Rachael.mann@westsuffolk.gov.uk	
Purpose of report:	This report sets out the Financial Performance for the year of 2016-17.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are requested to <u>note</u> the 2016/17 outturn revenue and capital position and forward any relevant issues or comments to Cabinet for their consideration.	
Key Decision: (Check the appropriate box and delete all those that <u>do not</u> apply.)	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

Consultation:		<ul style="list-style-type: none"> This report and the figures therein have been compiled by the Finance team in consultation with the relevant budget holders, services and Leadership Team. 	
Alternative option(s):		<ul style="list-style-type: none"> In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available. 	
Implications:			
Are there any financial implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> As set out in the body of this report. 	
Are there any staffing implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Are there any ICT implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Are there any legal and/or policy implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> As outlined in the body of this report. 	
Are there any equality implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Budget variances	High	Clear responsibilities for budget monitoring and control ensure that there is strong accountability for each individual budget line. Budget monitoring is undertaken on a monthly basis with budget holders and reported to Leadership Team quarterly.	Low
Wider economic situation around income levels	High	Budgets reflect the economic situation facing the Council, and have been scrutinised by officers and members at budget setting time. Continue to monitor areas closely to ensure assumptions remain reasonable.	Medium
Capital investment plans continue to be affordable, prudent and sustainable	Medium	Prudential Indicators are in place to safeguard the Council	Low

Treasury Management	Medium	Treasury Management Policy and Procedures are in place	Low
Fluctuation in Business rate retention yield	High	Work with ARP to understand the variance to deliver a realistic forecast.	Medium
Ward(s) affected:		All Ward	
Background papers:		None	
Documents attached:		<p>Appendix A – Revenue outturn position for 2016/17.</p> <p>Appendix B – Analysis of revenue variances for 2016/17.</p> <p>Appendix C – Capital outturn position for 2016/17.</p> <p>Appendix D – Earmarked Reserves for 2016/17.</p>	

1. Key issues and reasons for recommendation(s)

1.1 Key Issues

1.1.1 Monitoring year-end financial performance plays an important role in understanding how the Council's financial plans and strategies have contributed towards the achievement of the Council's priorities.

1.1.2 The Council continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending, declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness along with the reduction in central government grant funding. In order to respond to these pressures, the Council has had to make significant savings, the main contributor to delivering these savings continues to be through sharing services with St Edmundsbury Borough Council, which has to date achieved in excess of £4.0m in savings across both Councils.

1.1.3 This report is the final outturn position for the year 2016/17. The report includes a revenue year end outturn break-even position, details of which can be seen in **Appendix A** and **B**. Explanations of the main year end over / (under) spends can be found in the table at 1.2.2.

1.1.4 The Council's capital financial position for year end 2016/17 shows expenditure of £21,013,906 (including spend of £14,473,017 in respect of the Solar Farm). Further details are provided in **Appendix C**.

1.1.5 The council holds a variety of reserves which are earmarked for specific purposes as outlined to Council in February as part of the Budget and Council Tax Setting report. These include reserves to fund the management of council assets and reserves committed to support the strategic objectives and medium term financial strategy of the council. A summary of the earmarked reserves can be found at **Appendix D** along with the year end position for 2016/17.

1.1.6 Please note that the numbers reported here are subject to the final stages of the Council's 2016/17 accounts closure process and the review from external auditors Ernst & Young. These figures may change depending on the findings and outcomes of those pieces of work; however any changes will be reported to this committee as part of the final accounts report in September 2017.

1.2 Revenue Performance

1.2.1 The revenue outturn position as at 31 March 2017 currently shows an overall break-even position. A summary by Assistant Director can be found in **Appendix A** with comments for variances by cost centre in **Appendix B**.

1.2.2 Year end variances against budget over £50k are explained in the following table:

Year end variance: Over / (under) spend £'000s	Explanation (in Assistant Director order)
224	General Fund / Business Rates Additional levy payable due to more business rates collectable and

	<p>a significant drop in estimated appeals figures, offset by additional income from the Suffolk Business Rate Pool. The additional growth income will be retained in the Collection Fund to be redistributed in future years.</p> <p>In addition, £113k originally budgeted to be transferred from the Business Rate Equalisation Reserve has only been partly taken, due to the overall budget position and insufficient balance on the reserve.</p>
(82)	<p>ICT Underspend arising primarily from additional income generated by the service, plus some underspends on maintenance agreements and software charges.</p> <p>Income assumptions from service Level Agreements (SLAs) to be closely monitored in 2017/18 with regard to the budget position going forward.</p>
244	<p>Development Control Income from planning applications during 2016/17 has underachieved against budgeted levels by £130k. Additional staffing costs have also been incurred as a result of service development initiatives.</p> <p>Planning application is being closely monitored during 2017/18 with regard to budget assumptions going forward.</p>
74	<p>Environmental Management Underachievement of budgeted feed-in-tariffs due to changes in Government Legislation and lower take-up than initially anticipated.</p> <p>Feed-in tariff income to be kept under review during 2017/18 as part of the budget process going forward.</p>
(197)	<p>Solar Farm (Unbudgeted in 2016/17) The Solar Farm went live for Forest Heath in July 2016 and has generated returns in line with expectations.</p> <p>The council's budgets from 2017/18 onwards include income assumptions for the Solar Farm.</p>

1.2.3 Employee-related Expenses

Whilst the year end outturn variances will always include a number of areas where there are overspends or underspends on employee related costs, the overall position for the West Suffolk councils in this area is broadly on track with the approved budget, with a small forecasted year end underspend of just under 1%. This underspend has arisen as a result of a number of factors, including the success of close budgetary control and vacancy management, staffing vacancies during the year, structural changes and assumptions around pension scheme take-up which are being continually reviewed as part of the budget setting process.

1.2.4 Compostable Collection (Brown Bin)

The report SE/PAS/15/029 "Subscription Charge for the Brown Bin Service" was presented to the Performance and Audit Scrutiny Committee on 25 November 2015. This report agreed that the subscription would be fixed for a three year period, and that the budget would be reviewed annually once a better understanding of the take-up is available.

This cost centre is break even, allowing for the impacts of implementation costs incurred by other service areas (including prior year) and the resulting additional impact on the black bin round capacity.

Recognition of the one-off nature of implementation cost funding, the additional ongoing costs of administration and marketing of the service, and the remaining uncertainty of that agreement, have been taken into account in respect of funds that may be called upon in future years.

1.3 Capital Position

1.3.1 The Council has spent £21,013,906 of its capital budget of £23,350,295 as at the 31 March 2017, £14,473,017 of which related to the purchase of the Solar Farm. A further £1,525,203 is being requested to be carried forward from the 2016/17 capital budget into 2017/18 as a result of project timings.

1.3.2 The following table gives a high level summary of capital expenditure against budget for 2016/17. Further detail by capital project can be found at **Appendix C**.

Service Area	2016/17 Revised Full Year Budget	2016/17 Actual Spend to Date	2016/17 Carried Forward	2016/17 Forecast Over / (under) Spend
	£000s	£000s	£000s	£000s
Planning and Growth	14,864	14,822	62	20
Housing	190	0	190	0
Resources and Performance	5,008	3,845	296	(867)
Families and Communities	441	11	441	11
Operations	2,847	2,335	536	24
Totals:	23,350	21,013	1,525	(812)

Summary by Assistant Director

Appendix A

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Assistant Director	Expenditure Budget for Year £	Income Budget for Year £	Net Budget for Year £	Expenditure Actual for Year £	Income Actual for Year £	Net Actual for Year £	Over/(Under) Spend to Date £	Variance for Year %
Resources & Performance	23,755,957	(27,311,497)	(3,555,540)	22,733,422	(26,249,539)	(3,516,117)	39,423	0.17%
Human Resources, Legal & Democratic	952,704	(102,885)	849,819	1,020,574	(170,492)	850,082	263	0.03%
Families & Communities	1,384,486	(277,567)	1,106,919	1,314,156	(242,253)	1,071,903	(35,016)	2.53%
Planning & Regulatory	1,249,095	(1,135,620)	113,475	1,777,531	(1,530,275)	247,256	133,781	10.71%
Operations	6,682,827	(5,814,788)	868,039	10,633,030	(9,854,368)	778,662	(89,377)	1.34%
Growth	1,063,933	(399,135)	664,798	1,179,332	(549,314)	630,018	(34,780)	3.27%
TOTALS:	35,089,002	(35,041,492)	47,510	38,658,045	(38,596,241)	61,804	14,294	30.09%
Interest Receivable	0	(350,000)	(350,000)	0	(358,930)	(358,930)	(8,930)	2.55%
Interest Payable	169,600	0	169,600	169,600	0	169,600	0	0.00%
Minimum Revenue Provision	132,890	0	132,890	127,526	0	127,526	(5,364)	4.04%
TOTALS:	35,391,492	(35,391,492)	0	38,955,171	(38,955,171)	0	0	

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ASSISTANT DIRECTOR - RESOURCES & PERFORMANCE

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Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Resources & Performance	387,984	343,543	(44,441)	11.45%	Salary savings due to vacancies and pension scheme opt out, combined with an underspend on software charges.
Grants to Organisations	42,121	42,121	0	0.00%	
General Fund Adjustments	(5,664,724)	(5,440,271)	224,453	3.96%	Additional levy payable of £273k due to more business rates collectable and a significant drop in estimated appeals figures, offset by an anticipated extra £65k income from the Suffolk Business Rate Pool. The additional growth income will be retained in the Collection Fund to be redistributed in future years. In addition, £113k originally budgeted to be transferred from the Business Rate Equalisation Reserve only partly taken (£78k) due to overall budget position being balanced.
Resources & Performance:	(5,234,619)	(5,054,607)	180,012	3.44%	
Internal Audit	64,807	64,007	(800)	1.23%	
Internal Audit:	64,807	64,007	(800)	1.23%	
ICT	489,844	407,951	(81,893)	16.72%	Includes £36k of expenditure funded from reserves following review by the service, and an increase in Service Level Agreement income.
ICT:	489,844	407,951	(81,893)	16.72%	

ASSISTANT DIRECTOR - RESOURCES & PERFORMANCE (CONTINUED)

Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Anglia Revenues Partnership	903,493	903,493	0	0.00%	
Council Tax Administration	(177,450)	(202,617)	(25,167)	14.18%	Additional Council Tax Administration Subsidy received due to the merging of New Burdens Grant (£12k), along with anticipated additional court costs recovered above the budgeted level (£14k).
Business Rate Administration	(95,400)	(98,018)	(2,618)	2.74%	
Housing Benefits	(330,469)	(367,632)	(37,163)	11.25%	£82k net benefit of rent allowances paid out and subsidy received. Offset by a £43k shortfall in the recovery of overpayments and a £4k overspend on external audit fees (£4k).
Anglia Revenues Partnership:	300,174	235,226	(64,948)	21.64%	
Corporate Expenditure	804,610	808,517	3,907	0.49%	
Non-Distributed Costs	0	2,781	2,781	100.00%	
Corporate Expenditure:	804,610	811,298	6,688	0.83%	
Emergency Planning	19,645	20,009	364	1.85%	
Emergency Planning:	19,645	20,009	364	1.85%	
TOTALS: RESOURCES & PERFORMANCE	(3,555,539)	(3,516,116)	39,423	1.11%	

ASSISTANT DIRECTOR - HR , LEGAL & DEMOCRATIC

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Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Human Resources & Payroll	187,599	170,894	(16,705)	8.90%	
Human Resources:	187,599	170,894	(16,705)	8.90%	
Health & Safety	54,579	51,818	(2,761)	5.06%	
Health & Safety:	54,579	51,818	(2,761)	5.06%	
Central Training Services	69,324	44,711	(24,613)	35.50%	
Learning & Development:	69,324	44,711	(24,613)	35.50%	
Legal Services	150,038	164,791	14,753	9.83%	Shared Legal Service commenced November. One-off Agency & recruitment costs resulting in overspend for 2016/17. Will be savings from 17/18 onwards.
Legal Services:	150,038	164,791	14,753	9.83%	
Democratic Services	76,054	86,042	9,988	13.13%	
Members Allowances & Expenses	219,615	215,895	(3,720)	1.69%	
Mayoralty & Civic Functions	3,640	9,385	5,745	157.83%	
Democratic Services:	299,309	311,322	12,013	4.01%	
Electoral Registration	88,853	89,318	465	0.52%	
Election Expenses	117	17,229	17,112	14625.64%	
Elections:	88,970	106,547	17,577	19.76%	
TOTALS: HR, LEGAL & DEMOCRATIC	849,819	850,083	264	0.03%	

ASSISTANT DIRECTOR - FAMILIES & COMMUNITIES

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Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Policy	95,923	89,792	(6,131)	6.39%	
Policy:	95,923	89,792	(6,131)	6.39%	
Communications	73,875	68,087	(5,788)	7.83%	
Website and Intranet	20,774	17,565	(3,209)	15.45%	
Communications:	94,649	85,652	(8,997)	9.51%	
Customer Services	345,047	363,079	18,032	5.23%	
Bus Stations	51,697	50,446	(1,251)	2.42%	
Customer Services:	396,744	413,525	16,781	4.23%	
Community Development	177,538	151,829	(25,709)	14.48%	One-off 2016/17 saving on salary and pension costs as a result of staff changes during the year.
Community Chest - Families & Communities	90,250	90,250	0	0.00%	
Health, Culture & Arts	17,500	18,853	1,353	7.73%	
Community Centres	720	3,064	2,344	325.56%	
Families & Communities:	286,008	263,996	(22,012)	7.70%	
Homelessness	74,423	54,242	(20,181)	27.12%	
Housing Advice & Choice Based Lettings	147,752	156,424	8,672	5.87%	
Non-HRA Housing Properties	11,420	8,273	(3,147)	27.56%	
Housing Options:	233,595	218,939	(14,656)	6.27%	
TOTALS: FAMILIES & COMMUNITIES	1,106,919	1,071,904	-35,015	3.16%	

ASSISTANT DIRECTOR - PLANNING & REGULATORY

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Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Development Control	(261,343)	(17,795)	243,548	93.19%	Less planning applications has resulted in an underachievement of income (£130k). Plus additional staffing & recruitment costs arising from service development initiatives (£52k), and Legal and professional costs of £43k
Development Control:	-261,343	(17,795)	243,548	93.19%	
Land Charges	(72,990)	(59,787)	13,203	18.09%	
Building Control	7,797	13,785	5,988	76.80%	
Planning & Regulatory Support	171,026	171,147	121	0.07%	
Business (BC & Support):	105,833	125,145	19,312	18.25%	
Prevention of Pollution	32,236	25,169	(7,067)	21.92%	
Environmental Management	(58,247)	16,012	74,259	127.49%	Underachievement of budgeted feed-in-tariffs due to changes in Government Legislation and less take-up than initially anticipated
Drinking Water Quality	15,436	11,673	(3,763)	24.38%	
Climate Change	29,320	34,997	5,677	19.36%	
Solar Farm	0	(197,076)	(197,076)		The Solar Farm went live in July 2016 and is generating returns in line with expectations.
Home Energy Conservation	3,558	1,000	(2,558)	71.89%	
Environment:	22,303	(108,225)	(130,528)	585.25%	

ASSISTANT DIRECTOR - PLANNING & REGULATORY (CONTINUED)

Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Licensing	(12,743)	(17,808)	(5,065)	39.75%	
Hackney Carriage & Private Hire Licensing	(49,845)	(35,457)	14,388	28.87%	
Food Safety	60,852	59,047	(1,805)	2.97%	
Health & Safety at Work Act/Enforcement	44,382	34,918	(9,464)	21.32%	
Business Reg & Licensing:	42,646	40,700	(1,946)	4.56%	
Housing Renewals	73,321	76,725	3,404	4.64%	
Burial of the Dead	8,756	8,870	114	1.30%	
Other Public Health Services	121,959	121,836	(123)	0.10%	
Public Health & Housing:	204,036	207,431	3,395	1.66%	
TOTALS: PLANNING & REGULATORY	113,475	247,256	133,781	117.89%	

ASSISTANT DIRECTOR - OPERATIONS

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Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Pool Cars	1,040	499	(541)	52.02%	
Fleet Management:	1,040	499	(541)	52.02%	
Depots	(38,230)	(36,587)	1,643	4.30%	
Waste & Cleansing Operatives	(40,380)	(9,156)	31,224	77.33%	Additional spend on Agency Staff.
Markets	76,044	79,629	3,585	4.71%	
Operational:	-2,566	33,886	36,452	1420.58%	
Street Cleansing	561,714	539,822	(21,892)	3.90%	
Refuse Collection (Black Bin)	391,069	381,188	(9,881)	2.53%	
Recycling Collection (Blue Bin)	287,054	286,486	(568)	0.20%	
Compostable Collection (Brown Bin)	108,752	108,752	0	0.00%	
Bulky, Fridges, Metal & Scrap Collection	40,726	31,001	(9,725)	23.88%	
Clinical & Hazardous Waste Collection	4,629	6,846	2,217	47.89%	
Multi-Bank Recycling Sites	(37,542)	(45,003)	(7,461)	19.87%	
Trade Waste	(84,347)	(107,800)	(23,453)	27.81%	Additional income over that budgeted.
Waste - Business & Commercial	1,272,055	1,201,292	(70,763)	5.56%	
Property Services	300,303	316,193	15,890	5.29%	
Property Maintenance:	300,303	316,193	15,890	5.29%	
Industrial & Business Units	(589,377)	(617,746)	(28,369)	4.81%	Increased income due to better occupancy than anticipated.
Town Centres & Shops	(873,350)	(867,024)	6,326	0.72%	
Property Management:	(1,462,727)	(1,484,770)	(22,043)	1.51%	

ASSISTANT DIRECTOR - OPERATIONS (CONTINUED)

Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Offices: College Heath Road	(157,780)	(175,198)	(17,418)	11.04%	Savings from Facilities Management contract.
Offices: Brandon & Newmarket Guineas	(19,200)	(11,323)	7,877	41.03%	
Public Conveniences	55,003	45,139	(9,864)	17.93%	
CCTV	89,560	91,617	2,057	2.30%	
Green Travel Plan	0	0	0		
District Highways Services	(23,714)	(20,004)	3,710	15.64%	
Land Drainage & Associated Works	74,500	76,198	1,698	2.28%	
Facilities, CCTV & Highways Services:	18,369	6,429	(11,940)	65.00%	
Courier & Postal Service	43,080	25,729	(17,351)	40.28%	
Printing & Copying Service	51,224	55,756	4,532	8.85%	
Central Services:	94,304	81,485	(12,819)	13.59%	
Off Street Car Parks	(359,186)	(387,690)	(28,504)	7.94%	Parking income exceeding budget.
Car Parking:	(359,186)	(387,690)	(28,504)	7.94%	
Arboriculture (Tree Maintenance Works)	89,182	96,633	7,451	8.35%	
Other Parks and Play Provision	239,914	245,129	5,215	2.17%	
Children's Play Areas	59,651	51,080	(8,571)	14.37%	
Allotments	0	(214)	(214)	0.00%	
Parks & Open Spaces	388,747	392,628	3,881	1.00%	
Leisure Services Management & Support	39,094	41,235	2,141	5.48%	
Sports & Leisure Centres	546,140	537,448	(8,692)	1.59%	
Leisure & Sports	15,000	15,000	0	0.00%	
Sports & Leisure Development	600,234	593,683	(6,551)	1.09%	

ASSISTANT DIRECTOR - OPERATIONS (CONTINUED)

Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Arts, Heritage & Cultural Services	10,676	9,737	(939)	8.80%	
Heritage	10,676	9,737	(939)	8.80%	
Shopmobility	8,340	5,732	(2,608)	31.27%	
The Pavilion - Lady Wolverton Playingfield	(7,870)	(8,670)	(800)	10.17%	
Palace House and Stables	6,320	18,228	11,908	188.42%	Building repair & maintenance costs and one-off payment for business rates. Links to Home of Horseracing Project.
Halls & Events	6,790	15,290	8,500	125.18%	
TOTALS: OPERATIONS	868,039	778,662	(89,377)	10.30%	

ASSISTANT DIRECTOR - GROWTH

Cost Centre Description	Budget for Year £	Actual for Year £	Over/(Under) Spend for Year £	Variance for Year %	Year End Variance Notes over £25,000
Housing Development & Strategy	65,161	53,311	(11,850)	18.19%	
Gypsies & Travellers	13,256	14,370	1,114	8.40%	
Housing Development & Strategy:	78,417	67,681	(10,736)	13.69%	
Housing Business & Partnerships	41,579	33,139	(8,440)	20.30%	
Housing Business & Partnerships:	41,579	33,139	(8,440)	20.30%	
Planning Policy	321,568	327,284	5,716	1.78%	
Local Plan	6,900	(1,299)	(8,199)	118.83%	
Place Shaping:	328,468	325,985	-2,483	120.60%	
Economic Development & Growth	173,430	161,904	(11,526)	6.65%	
Strategic Tourism & Markets	30,344	30,111	(233)	0.77%	
Vibrant Town Centres	12,560	11,198	(1,362)	10.84%	
Economic Development & Growth:	216,334	203,213	-13,121	18.26%	
TOTALS: GROWTH:	664,798	630,018	-34,780	172.85%	

2016/17 March Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend for Year £	2016-17 Carried Forward	Over/(Under) Spend for Year £	Notes	Carry Forward Financed From
Home of Horseracing Project	4,711,885	3,844,990	0	(866,895)	Project ongoing, the viewing stand is still to be completed and lease to be signed. All expenditure in 2016/17 has been fully funded., and as such this is not a true underspend. The revised budget includes donations, via the Home of Horseracing, that have not yet been received.	N/A
Solar Energy Project	14,471,000	14,473,017	0	2,017	Project complete.	N/A
Sam Alper Industrial Development	1,250,877	1,251,214	0	337	Project complete.	N/A
Omar Site - Brandon	325,956	325,956	0	0	Project complete.	N/A
Vehicle & Plant Purchases	0	0	68,000	68,000	Carry forward requested to contribute towards the cost of 1 new refuse freighter ordered at the end of 2016/17 but not delivered until 2017/18.	Vehicle & Plant Renewal Reserve
Playground Improvements	81,026	103,061	0	22,035	Relates to Lady Wolverton Way (completed), Heatherset Way (ongoing) and Warren Close Brandon MUGA (ongoing). Overspend to be funded from S106 monies.	N/A
Grants						
Historic Buildings Grant	40,250	33,226	0	(7,024)	Grant payments funded from Planning Delivery Grant.	N/A
Red Lodge Parish Council S106 Grants	0	11,479	0	11,479	Grant payment funded from S106.	N/A
Beck Row Community Facilities	0	116,723	0	116,723	Grant payment funded from S106.	N/A
Parish Council S106 Grants	0	5,712	0	5,712		N/A
Private Sector Disabled Facilities Grants	193,000	185,835	0	(7,165)	The delivery model and future budget provision for this grant scheme are currently under review for 2017/18.	N/A
Private Sector Renewal Grants	35,000	61,475	0	26,475	Demand for these grants has not been as high as expected in 2016/17. The budget for 2017/18 is being reviewed.	N/A

2016/17 March Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend for Year £	2016-17 Carried Forward	Over/(Under) Spend for Year £	Notes	Carry Forward Financed From
Newmarket Leisure Centre - Equipment	204,000	204,000	0	0	Grant payment made to Abbeycroft.	N/A
Asset Management Plan						
Asset Management Plan	264,000	0	189,000	(75,000)	Central Asset Management budget, utilised as and when schemes are approved. Carry forward requested.	Strategic Priorities & MTFS Reserve
Leisure Centre Brandon	0	3,270	0	3,270	Spend relates to retention on a project which was completed in 2015/16 - funded from capital receipts as per the original project budget which was underspent.	N/A
Swimming Pool Mildenhall	250,000	0	250,000	0	Carry forward requested.	Capital Receipts
Leisure Centre Newmarket	150,000	107,851	0	(42,149)	Project complete.	N/A
Rous Road Car park	65,564	65,564	0	(0)	Project complete.	N/A
Valley Way Newmarket Shops	11,407	11,829	0	422	Project complete.	N/A
1F Gregory Road, Roof Replacement & Unit Refurbishment	15,486	15,486	0	0	Project complete.	N/A
Craven Way, Newmarket - Unit Refurbishment & Electrical Upgrade	50,000	41,809	0	(8,191)	Project complete.	N/A
29 Putney Close, Brandon, Refurbishment & Electrical Upgrade	50,000	21,078	0	(28,922)	Project complete.	N/A
Guineas Car Park Energy Efficient Lighting	31,100	0	0	(31,100)	Project completed in 2015/16	N/A
Harvey Adam Centre, Roofing Replacement	15,294	15,294	0	0	Project complete.	N/A
Mildenhall Industrial Estate Highway Adoption	32,000	30,792	0	(1,208)	Project complete.	N/A
Refurbishment & Upgrade of Communal Areas, Harvey Adam Enterprise Centre	20,000	4,134	15,866	0	Project ongoing, carry forward requested.	Strategic Priorities & MTFS Reserve
Strategic Plan						

2016/17 March Capital Budget Monitoring Report

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Project Description	Revised Budget for Year £	Actual Spend for Year £	2016-17 Carried Forward	Over/ (Under) Spend for Year £	Notes	Carry Forward Financed From
Wellington Street Newmarket - Wider Pedestrianisation Scheme	150,000	0	150,000	0	Newmarket Town centre Initiatives may require funding, currently under review. Carry forward requested.	Capital Receipts
Invest to Save Projects	296,000	0	296,000	0	Funds to be allocated to projects subject to requests, carry forward requested.	Strategic Priorities & MTFS Reserve
Private Housing Company	40,000	0	40,000	0	Revised spend over the next 3 financial years in line with approved business case. Carry forward requested.	Capital Receipts
Community Energy Plan	125,000	62,834	62,166	0	Spend to date relates to Biomass Boiler at Home of Horse Racing. Remaining projects still in progress/to be decided, carry forward requested.	Strategic Priorities & MTFS Reserve
Software						
Waste & Street Scene Back Office System	30,000	17,279	12,721	(0)	Project ongoing, paying for each module separately as and when implemented. Carry forward requested for future module implementations.	Invest to Save Reserve
CRM Project	36,450	0	36,450	0	CCP computer system is in operation now - but may be purchasing additional modules/upgrade so carry forward requested.	Capital Receipts
PENDING ITEMS				0		
Affordable Housing	405,000	0	405,000	0	Budget kept under review to secure additional temporary accommodation, carry forward requested.	Capital Receipts
TOTALS;	23,350,295	21,013,906	1,525,203	(811,186)		

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Earmarked Reserves

2016/17 March Budget Monitoring Report

Reserve Details	2016/17 Opening Balance	2016/17 Budgeted Movement	2016/17 Budgeted Closing Balance	2016/17 Actual Closing Balance	2016/17 Under / (Over) Utilisation	Notes
Strategic Priorities & MTFS Reserve	6,193,266	(1,490)	6,191,776	8,317,190	2,125,414	Under-utilisation mainly relates to timing of feasibility spend and capital projects eg. Community Energy Plan and Asset Management.
Invest to Save Reserve	215,197	(27,000)	188,197	329,236	141,038	Under-utilisation of reserve has arisen partly as a result of timing of the Waste Back Office System (see appendix C), in addition to this monies previously incurred on feasibility projects (including the Solar Farm) that have now been capitalised have been returned to this reserve, plus some transitional cost benefit from the Waste service.
Risk/Recession Reserve	541,841	(120,518)	421,323	421,323	0	Funding utilised for Local Plan resourcing as budgeted.
BRR Equalisation Reserve	76,830	(113,318)	(36,488)	35,886	72,374	Full reserve balance originally taken as contribution, however lower than expected due to lower balance brought forward than originally anticipated. Additional income from Suffolk Pool transferred to Reserve at the year end.
Self Insured Fund	61,069	50,000	111,069	111,069	0	
Computer & Telephone Equipment Reserve	160,208	35,000	195,208	158,527	(36,681)	Additional contributions from reserve in respect of Computer Equipment purchases during the year.
HB Equalisation Reserve	161,321	0	161,321	161,046	(275)	
Interest Equalisation Reserve	69,719	0	69,719	0	(69,719)	Relates to investment interest received in advance in 2016/17 for 2017/18.
Professional Fees Reserve	35,000	35,000	70,000	74,780	4,780	Includes £4.7k carried forward in respect of budget consultation, to be used in 2017/18.
Single Regeneration Board	24,000	(24,000)	0	0	0	Approved transfer to Invest to Save Reserve as budgeted.
ARP Reserve	302,876	0	302,876	422,879	120,004	Closing balance includes additional funding received in the year and the overall ARP underspend.
Vehicle & Plant Renewal Fund	213,601	162,000	375,601	443,601	68,000	Relates to vehicle spend carried forward to 2017/18 - see also Appendix C.
Waste Management Reserve	108,756	(41,000)	67,756	112,256	44,500	Reserve funding of services not utilised in the year as not required.
BR-Building Repairs Reserve - Other	0	0	0	25,907	25,907	Includes some contributions from repair & maintenance budgets.
Car Park Development Fund	56,170	0	56,170	56,170	0	
Commuted Maintenance Reserve	511,299	(7,944)	503,355	503,355	0	

Earmarked Reserves

2016/17 March Budget Monitoring Report

Reserve Details	2016/17 Opening Balance	2016/17 Budgeted Movement	2016/17 Budgeted Closing Balance	2016/17 Actual Closing Balance	2016/17 Under / (Over) Utilisation	Notes
Newmarket Stallion Reserve	22,459	0	22,459	22,459	0	
Leisure Reserve	27,932	0	27,932	27,932	0	
Communities against Drugs Reserve	30,000	0	30,000	30,000	0	
Planning Reserve	23,700	(114,000)	(90,300)	25,835	116,135	Relates to timing of Local Plan spend. Includes £33k transfer from the LABGI reserve.
Building Regulations Charging Reserve	1	0	1	1	0	
Planning Delivery Grant	94,716	(15,000)	79,716	87,597	7,880	Utilised against Planning Projects.
Local Land Charges Reserve	60,142	0	60,142	54,009	(6,134)	Utilised to fund claims in the year.
Planning Policy Statement Climate Change	15,436	(12,857)	2,579	2,579	0	
S106 Monitoring Officer Reserve	78,201	(54,379)	23,822	35,564	11,742	Additional Section 106 contributions received in the year.
Implementing Smoke Free Legislation	7,758	0	7,758	7,758	0	
Economic Development Reserve (LABGI)	35,174	(2,600)	32,574	0	(32,574)	Remaining balance on LABGI transferred to Planning reserve.
Homelessness Legislation Reserve	127,736	(8,350)	119,386	127,736	8,350	Additional Homelessness Grants received during the year transferred to reserve.
S106 Revenue Reserve	158,941	0	158,941	127,305	(31,636)	Additional utilisation required to fund Play Equipment Projects as per the Capital Programme. See also Appendix C.
Election Reserve	38,091	10,000	48,091	43,091	(5,000)	Additional funding utilised in respect of Electronic Registration in the year.
Staff Training Reserve	22,582	0	22,582	22,582	0	
Forest Heath Totals	9,474,022	(250,456)	9,223,566	11,787,670	2,564,105	

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Ernst and Young – Certification of Claims and Returns Annual Report 2015/2016	
Report No:	PAS/FH/17/015	
Report to and date:	Performance and Audit Scrutiny Committee	25 May 2017
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: Rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To update members on the outcome of the annual certification of grant claims by Ernst and Young (our external auditors) as detailed in their Certification of claims and returns annual report 2015/2016, attached at Appendix A .	
Recommendation:	Members are asked to <u>note</u> the Certification of Claims and Returns Annual Report 2015/2016.	
Key Decision: (Check the appropriate box and delete all those that <u>do not</u> apply.)	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

Consultation:	• N/A		
Alternative option(s):	• N/A		
Implications:			
Are there any financial implications? <i>If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	• The report includes the final fee for certification of the 2015/2016 grant claims (£12,442).	
Are there any staffing implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	•	
Are there any ICT implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	•	
Are there any legal and/or policy implications? <i>If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	• External audit is a statutory function.	
Are there any equality implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	•	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Errors identified as a result of 2014/2015 testing may have been replicated in 2015/2016	Medium	Perform early extended testing in those areas where errors were identified	Low
Ward(s) affected:		N/A	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		None	
Documents attached:		Appendix A – Ernst and Young Certification of Claims and Returns Annual Report 2015/2016	

1. Key issues and reasons for recommendation

- 1.1 Ernst and Young (EY) has issued at **Appendix A**, an annual report on the Certification of Claims and Returns for 2015/2016. This report summarises the results of the certification work undertaken by EY staff as part of the annual audit of grant claims to government departments and sets out the scale fee for carrying out this work.
- 1.2 Funding from government departments is an important income stream for the Council which has to put in place procedures to ensure that it has met the conditions attached to the funding and, in some cases, must complete returns providing financial information to support the claims. The government departments may require appropriately qualified auditors to certify the claims.
- 1.3 From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns, and to prescribe scales of fees for this work, was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.
- 1.4 For 2015/2016, these arrangements required only the certification of the housing benefits subsidy claim with a total value of £15.762 million.
- 1.5 The certification work found errors on the claim amounting to £431 and these errors have been corrected by officers. A qualification letter setting out further errors and uncertainties was also reported to the Department for Works and Pensions (DWP). The relevant officers of the Council and Anglia Revenues Partnership (ARP) have agreed the qualifications in respect of the 2015/2016 certification work, as detailed in **Appendix A**. ARP has taken action to address the issues for 2016/2017.
- 1.6 In addition, the PSAA determine a scale fee each year for the audit of claims and returns. For 2015/16, the indicative scale fee for the audit of the Housing benefits subsidy claim was £15,642. However, EY are proposing a reduction of £3,200 to the fee to reflect the reduced amount of audit work that needed to be completed resulting in an actual fee of £12,442 (subject to PSAA agreement).
- 1.7 EY have made no recommendations to Members as a result of the audit.

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Certification of claims and returns annual report 2015/16

Forest Heath District Council

24 January 2017

Ernst & Young LLP



Building a better
working world

The Members of the Performance and Audit Scrutiny Committee
Forest Heath District Council
District Offices,
College Heath Rd,
Mildenhall,
Bury Saint Edmunds
IP28 7EY

24 January 2017

Direct line: 07541 346507
Email: MHodgson@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015/16 Forest Heath District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Forest Heath District Council's 2015/16 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015/16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2015/16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £15,761,825. We met the submission deadline. We issued a qualification letter; details of the qualification matters are included in section 1.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015/16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the 25th May 2017 Committee.

Yours faithfully

Mark Hodgson
Executive Director
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£15,761,825
Amended/Not amended	Amended – subsidy reduced by £431
Qualification letter	Yes
Fee – 2015/16	£12,442
Fee – 2014/15	£20,270
Recommendations from 2014/15	Findings in 2015/16
None	N/a

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors and carried out extended testing in several areas.

We have reported the extrapolated value of these errors, underpayments, and other observations in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the errors or to claw back the benefit subsidy paid. These are the main issues we reported:

- The testing of the initial sample identified 5 cases where the earnings have been incorrectly assessed. Testing of an additional random sample selected from a sub population of claims which had earnings in 2015/16, identified a further 6 calculation errors.
- In our 2014/15 qualification letter, we reported that testing of the initial sample identified 1 case where the authority had overpaid benefit as a result of a system error in calculating the occupational pension. As part of our audit work undertaken on the 2015/16 subsidy claim, all claims in receipt of occupational pensions were identified and an element of re-performance of the work undertaken by the Council undertaken to confirm that both the annual payments and non-annual payments are correctly classified as annual or non-annual payments and that the pension has been correctly calculated on the Academy system. No issues have been identified.
- In our 2014/15 qualification letter, we reported that testing of the initial sample identified 1 case where the benefits system has incorrectly calculated the self-employed income. This was subsequently followed up with the Council and it was established that a fix had been provided for the Academy system in 2015/16. All amendments to the claims were actioned in 2015/16 and reported in the 2015/16 subsidy claim. As part of our audit work undertaken on the 2015/16 subsidy claim, we have reviewed the work undertaken by the Council of all cases with self-employed earnings in 2015/16 to provide assurance that the amendments that have been made on the system are correct. No issues have been identified.

2. 2015/16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015/16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2015/16	2015/16	2014/15
	Actual fee £	Indicative fee £	2014/15 Actual fee £
Housing benefits subsidy claim	£12,442	£15,642	£20,270

The indicative fee for 2015/16 is based on the actual fee for 2013/14 with a 25% reduction in scale fee.

For 2015/16 the level of error identified was similar to that identified in 2013/14. However, the Authority undertook both the initial and extended testing. In addition for 2015/16 the level of error identified was lower than that identified in 2013/14. We are therefore proposing to reduce the fee by £3,200 to take account of the reduced amount of audit work that needed to be completed. The reduction in fee is subject to PSAA agreement.

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is still to be confirmed. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015/16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014/15.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the S151 or Deputy S151 Officer before seeking any such variation.

PSAA is currently consulting on the 2017/18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018/19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

Ernst & Young LLP

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Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Ernst and Young – Presentation of External Audit Plan and Fees 2016/2017 and 2017/2018 Indicative Fees	
Report No:	PAS/FH/17/016	
Report to and date:	Performance and Audit Scrutiny Committee	25 May 2017
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: Rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To provide members with a basis to review: <ul style="list-style-type: none"> • Ernst and Young’s proposed approach and scope for the 2016/2017 audit along with the planned fees to complete the work as set out in the Audit Plan, attached at Appendix A; and • The indicative fees for the 2017/2018 audit as set out in the letter attached at Appendix B. 	
Recommendation:	Performance and Audit Scrutiny Committee: Members are asked to <u>note</u> the External Audit Plan and Fees for 2016/2017, along with the indicative fees for 2017/2018.	

Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:		<ul style="list-style-type: none"> This report has been prepared in consultation with the Resources and Performance team, Leadership Team and the Portfolio Holder for Resources and Performance. 	
Alternative option(s):		<ul style="list-style-type: none"> N/A 	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> The report includes the planned 2016/2017 audit fee of £47,059 and certification of claims fee of £15,202. The report also includes an indicative audit fee for 2017/18 of £47,059. The indicative certification of claims fee has yet to be confirmed. 	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> External audit is a statutory function. 	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
The assessment of the key strategic or operational risks and the financial statement risks facing the Council may not be correct	Medium	Assessment of key strategic or operational risks and the financial statement risks facing the Council have been identified through External Audits knowledge of the entity's operations and discussion with members and officers.	Low
Ward(s) affected:		N/A	
Background papers:		None	

Documents attached:

Appendix A – Ernst and Young Audit Plan 2016/2017

Appendix B – Ernst and Young Annual Audit and Certification Fees 2017/2018

1. Key issues and reasons for recommendation(s)

1.1 The Council's appointed external auditors, Ernst and Young ("EY"), are required to provide an audit plan which covers the work they plan to perform in order to provide the Council with:

- An audit opinion on whether the financial statements of Forest Heath District Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. The Audit Plan (attached) is based on EY's risk-based approach to audit planning.

1.2 When planning the audit EY take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements.
- Developments in financial reporting and auditing standards.
- The quality of systems and processes.
- Changes in the business and regulatory environment.
- Management's views on all of the above.

1.3 Sections 2 and 3 of **Appendix A**, summarises EY's assessment of the key risks which drive the development of an effective audit for the Council, and outlines their planned audit strategy in response to those risks. Officers will be working with EY over the coming months to ensure that these risks are managed and where possible to come to an agreement over their treatment prior to the issuing of the Annual Governance Report, and Audit Opinion (due to be issued by EY by September 2017).

1.4 EY also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on our Whole of Government Accounts return.

1.5 The planned fee for carrying out this work for 2016/2017 is set out on page 13 of **Appendix A** and the indicative fee for 2017/18 is contained in **Appendix B**. The fees are summarised below:

	Planned fee 2016/2017 £	Indicative fee 2017/2018 £
Audit fee – code work	47,059	47,059
Certification of claims and returns	15,202	TBC

1.6 The code work audit fee for 2017/2018 is an indicative fee only, set by the PSAA (Public Sector Audit Appointments Ltd) for each audited body. It will be reviewed and updated as necessary following completion of the 2016/17 audit. The PSAA have yet to confirm the indicative certification fee for 2017/18.

Forest Heath District Council

Year ending 31 March 2017

Audit Plan

March 2017

Ernst & Young LLP



Performance and Audit Scrutiny Committee
Forest Heath District Council
College Heath Road
Mildenhall
Bury St Edmunds
Suffolk
IP28 7EY

10 March 2017

Dear Committee Members

2016/17 – External Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Performance and Audit Scrutiny Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 25 May 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

Executive Director
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Performance and Audit Scrutiny Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

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.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Forest Heath District Council (the Council) give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Purchase of Greenheath Energy Ltd</p> <p>The Council has purchased Greenheath Energy Ltd along with the associated solar farm for £14 million.</p> <p>The Council plan to transfer the company's assets and liabilities into the Councils Balance sheet, leaving Greenheath Energy Ltd as a dormant company.</p> <p>Due to the material nature and complexity of these transactions, there is a significant risk that the accounting treatment and entries in the Council's financial statements could be materially misstated.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the information provided to the Council's Valuer as Management Expert (Valuation Office Agency (VOA)); ▶ Undertaking procedures to ensure we can rely on the Valuer as management's expert; ▶ Using EY Real Estate team as Auditor's expert to review the assumptions and conclusions of the VOA in relation to the valuation of the solar farm at the balance sheet date; and ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to the treatment of the acquisition of the company and transfer of the solar farm asset to the Council.
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ▶ Perform substantive testing over material revenue and expenditure streams; ▶ Review and test revenue cut-off at the period end date; ▶ Test the appropriateness of journals entries moving expenditure items from revenue codes to Capital codes; and ▶ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias; ▶ Evaluating the business rationale for significant unusual transactions; and ▶ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Other financial statement risks

Pensions Liability – IAS19

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach will focus on:

- ▶ Liaising with the auditors of the administering authority (Suffolk County Council), to obtain assurances over the information supplied to the actuary in relation to Forest Heath District Council;
- ▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Property, Plant and Equipment valuation

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council will engage an external expert valuer who will apply a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach will focus on:

- ▶ Reviewing the information provided to the Valuer;
- ▶ Undertaking procedures to ensure we can rely on the Valuer as management's expert; and
- ▶ Reviewing the figures provided by the Valuer to ensure they are reasonable.

Other financial statement risks (continued)

Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement

Amendments have been made to the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the '*Telling the Story*' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

Our Approach will focus on:

- ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code;
- ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.
- ▶ The classification of consolidated group balances within the group CIES and new notes to ensure disclosures are in line with the code.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

For 2016/17 this is based on the overall evaluation criterion:

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

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following VFM risks which we view as relevant to our value for money conclusion.

Significant value for money risks	Our audit approach
Purchase of Greenheath Energy Ltd	
<p>The Council purchased Greenheath Energy Ltd and the associated solar farm with a view of delivering against its Community Energy Plan aspirations and medium term financial strategy.</p> <p>Given that this is an unusual transaction, the Council's governance arrangements surrounding the business case to proceed with the acquisition should be adequate to ensure that these decisions are based on a sound assessment of the value for money that this strategy provides to the Council.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ The approval process for acquisition of Greenheath Energy Ltd; ▶ How the Council assessed the business case to ensure best value on the future financial and non-financial returns; ▶ The governance arrangements over any conflicts of interest; and ▶ The impact of the acquisition on the Medium Term Financial Strategy.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.
- #### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

To the fullest extent permissible by auditing standards, we intend to consider internal audit's work in documenting your financial systems and controls. This will enable us to more efficiently update our understanding of your systems and carry out the walkthrough of those systems as required under auditing standards. Our intention is to carry out a fully substantive audit in 2016/17 rather than rely on the operation of controls as we believe this to be a more efficient approach.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Performance and Audit Scrutiny Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, Plant and Equipment, and Investment Properties	Management expert – valuation specialists (Valuation Office Agency) Management expert – PwC for accounting and legal treatment of Greenheath Energy Ltd acquisition. Auditor's expert – EY Real Estates and EY Financial Accounting and Advisory Services.
Pension valuations and disclosures	Management expert – actuarial specialists to the Suffolk Pension Fund (Hymans Robertson) EY Pensions Advisory, PwC (Consulting Actuary to the PSAA)
Fair value of financial instrument disclosure	Management expert – for the provision of fair value information in respect of financial instruments (Capita Asset Services)
National Domestic Rates Provision valuation	Management expert – valuation of the Non-Domestic Rates provision (Wilkes, Head & Eves)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £0.650 million based on 2% of gross expenditure on the provision of services. We will communicate uncorrected audit misstatements greater than £0.033 million to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Forest Heath District Council is £47,059.

4.6 Your audit team

The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their audits. Mark is supported by Mark Russell who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Performance and Audit Scrutiny Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Performance and Audit Scrutiny Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Committee timetable	Deliverables
High level planning	December to January 2017		
Risk assessment and setting of scopes	January – February 2017	May 2017	Audit Plan
Review of routine processes and controls	February – March 2017		
Year-end audit	July – August 2017		
Completion of audit	September 2017	September 2017	<ul style="list-style-type: none"> ▶ Report to those charged with governance via the Audit Results Report ▶ Audit report (including our opinion on the financial statements; and overall value for money conclusion. ▶ Audit completion certificate ▶ Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2017	November 2017	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work. There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, the audit engagement Executive Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £s	Scale fee 2016/17 £s	Outturn fee 2015/16 £s	Explanation
Opinion Audit and VFM Conclusion	47,059	47,059	48,490	Note 1
Total Audit Fee – Code work	47,059	47,059	48,490	
Certification of claims and returns 1	15,202	15,202	*12,442	For 2016/17 the fee has been set by PSAA based on a 25% reduction from the 2014/15 fee.

All fees exclude VAT.

* Subject to PSAA approval

Note 1 – Audit Fee – 2016/17 Code work. The planned fee does not include additional work in relation to the acquisition of Greenheath energy Ltd and the associated valuation and accounting treatment assessments. As set out in the audit risks section, we will need to use our own valuation and accounting experts to review the approach taken by the Council in accounting for the acquisition. This is a one-off transaction and therefore a change in audit scope for this year. We will perform the work required for our opinion purposes and agree the fee variation with the Head of Resources and Performance and report it within our Audit Results Report. The Scale Fee Variation will also be approved by Public Sector Audit Appointments Ltd (PSAA).

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Officers provide appropriate responses to queries, draft audit reports and other information we request within agreed timescales;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Performance and Audit Scrutiny Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balances on initial audits 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Performance and Audit Scrutiny Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Performance and Audit Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Performance and Audit Scrutiny Committee may be aware of 	▶ Audit Results Report

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> ▶ Certification Report

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27 MAR 2017

Rachael Mann
Assistant Director (Resources & Performance)
Forest Heath District Council
College heath Road
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24 March 2017

Ref: MH/MR/FHDC/AFL

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Rachael

Annual Audit and Certification Fees 2017/18

We are writing to confirm the audit and certification work that we propose to undertake for the 2017/18 financial year at Forest Heath District Council.

Indicative audit fee

For the 2017/18 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For Forest Heath District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;

- Appropriate quality of documentation is provided by the Council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2015/16 benefit certification fees, and incorporating a 25 per cent reduction. This fee has yet to be published by the PSAA Ltd.

Summary of fees

	Indicative fee 2017/18 £s	Planned fee 2016/17 £s
Total Code audit fee	47,059	47,059
Certification of housing benefit subsidy claim	TBC	15,202

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments.

Audit plan

Our plan is expected to be issued in the January – March 2018 period. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with you, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Performance and Audit Scrutiny Committee.

Audit team

The key members of the audit team for the 2017/18 financial year are:

Mark Hodgson
Executive Director

MHodgson@uk.ey.com

Tel: 01223 394547

Mark Russell
Assistant Manager

MRussell1@uk.ey.com

Tel: 01223 394480

We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours faithfully

Mark Hodgson
Executive Director
For and on behalf of Ernst & Young LLP

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