

Cabinet



Forest Heath
District Council

Title of Report:	Report of the Performance and Audit Scrutiny Committee: 25 May 2017	
Report No:	CAB/FH/17/027	
Report to and date:	Cabinet	20 June 2017
Portfolio Holder:	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: stephen.edwards@forest-heath.gov.uk	
Chairman of the Committee:	Councillor Louis Busuttil Chairman of the Performance and Audit Scrutiny Committee Tel: 01638 810517 Email: louis.busuttil@forest-heath.gov.uk	
Lead Officer:	Christine Brain Democratic Services Officer (Scrutiny) Tel: 01638 719729 Email: christine.brain@westsuffolk.gov.uk	
Purpose of report:	<p>On 25 May 2017, the Performance and Audit Scrutiny Committee held an informal joint meeting with members of St Edmundsbury's Performance and Audit Scrutiny Committee, and <u>considered the first six items jointly:</u></p> <ol style="list-style-type: none">(1) Internal Audit Charter;(2) Internal Audit Annual Report (2016-2017) and Outline Internal Audit Plan (2017-2018);(3) Balanced Scorecards Report and Quarter 4 Performance 2016-2017;(4) Balanced Scorecard Indicators and Targets for 2017-2018;(5) West Suffolk Strategic Risk Register Quarterly Report – March 2017;	

	<p>(6) Work Programme Update;</p> <p>(7) Financial Performance Report (Revenue and Capital) Outturn 2016-2017;</p> <p>(8) Ernst and Young – Certification of Claims and Returns Annual Report (2015-2016); and</p> <p>(9) Ernst and Young - External Audit Plan and Fees 2016-2017 and 2017-2018 Indicative Fees.</p>
Recommendation:	The Cabinet is requested to <u>NOTE</u> the contents of Report CAB/FH/17/027, being the report of the Performance and Audit Scrutiny Committee.
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>Report for information only.</p>
Consultation:	<ul style="list-style-type: none"> • See reports listed in Section 2 below.
Alternative option(s):	<ul style="list-style-type: none"> • See reports listed in Section 2 below
Implications:	
<i>Are there any financial implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers
<i>Are there any legal and/or policy implications?</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
Risk/opportunity assessment:	Please see background papers.
Ward(s) affected:	Please see background papers.
Background papers:	Please see background papers, which are listed at the end of the report.
Documents attached:	None

1. Key issues and reasons for recommendations

1.1 Internal Audit Charter (Report No: PAS/FH/17/008)

1.1.1 The Committee received Report No: PAS/FH/17/008, which asked Members to scrutinise and approve an updated version of the Internal Audit Charter, attached at Appendix A to the report.

1.1.2 The Charter had been revised to take into account recent revisions to the Public Sector Internal Audit Standards, and now included a "Mission" for the Internal Audit Section and "Core Principles" for the professional practice of internal auditing.

1.1.3 During the informal meeting with SEBC Performance and Audit Scrutiny Committee, questions were asked, to which responses were provided by Officers.

1.1.4 As the meeting was declared inquorate, with there only being two Members of the FHDC Performance and Audit Scrutiny Committee in attendance, this item could not be formally resolved. Therefore, this item has been **deferred** for consideration to the next meeting of the Committee on 27 July 2017.

1.2 Internal Audit Annual Report (2016-2017) and Outline Internal Audit Plan (2017-2018) (Report No: PAS/FH/17/009)

1.2.1 This report summarised the work undertaken by Internal Audit during the year and provided details of the Outline Internal Audit Plan for 2017-2018. It also showed progress made during the year in developing and maintaining an anti-fraud and anti-corruption culture and actions taken where fraud or misconduct had been identified. Finally, the report showed the work undertaken to fulfil the requirement for an annual review of the effectiveness of internal audit.

1.2.2 During the informal meeting with SEBC Performance and Audit Scrutiny Committee, Members were pleased that the self-assessment was positive and congratulated the Internal Audit Team on its work.

1.2.2 As the meeting was declared inquorate, with there only being two Members of the FHDC Performance and Audit Scrutiny Committee in attendance, this item could not be formally resolved. Therefore, this item has been **deferred** for consideration to the next meeting of the Committee on 27 July 2017.

1.3 Balanced Scorecards and Quarter 4 Performance Report 2016-2017 (Report No: PAS/FH/17/010)

1.3.1 The Committee received and **noted** Report No PAS/FH/17/010, 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 final quarter of 2016-2017. The six current balanced scorecards (attached at Appendices A to F to Report No: PAS/FH/17/010) were linked to the Assistant Directors Service areas, which presented the final quarter performance.

- 1.3.2 Most indicators reported performance against an agreed target using a traffic light system with additional commentary provided for performance indicators below optimum performance.
- 1.3.3 In Quarters 1 and 2, performance indicator against the "% telephone calls answered" had been below target across all service areas. However, during quarters 3 and 4, performance had increased and now exceeded target levels. Since quarter 3, there had been a slight increase corporately in the performance against the target indicator "% of non-disputed invoices paid within 30 days".

There had also been a slight decrease corporately in the performance indicator against "% of total debt over 90 days". Although the figure has risen, the total level of debt over 90 days had reduced from £631k to £487k.

- 1.3.4 Officers took the Committee through each of the individual Balanced Scorecards and highlighted some key successes and some which were below optimum performance, where the Council's attention may be required to address those not meeting specified targets.
- 1.3.5 No issues were required to be brought to the attention of Cabinet.

1.4 **Balanced Scorecard Indicators and Targets for 2017-2018 (Report No: PAS/FH/17/011)**

- 1.4.1 The Committee received and **noted** Report No: PAS/FH/17/011, which set out the proposed West Suffolk Balanced Scorecard indicators and targets to be used to measure the Council's performance in 2017-2018. The proposed five balanced scorecards were attached at Appendices A to E, and were linked to the Assistant Director Service areas.
- 1.4.2 Members were asked to scrutinise the proposed balanced scorecard indicators and targets for 2017-2018 and identify any further information required for their use commencing in Quarter 1, which would be presented to the Committee in July 2017.
- 1.4.3 Members scrutinised the report and there were no issues to be brought to the attention of Cabinet.

1.5 **West Suffolk Strategic Risk Register Quarterly Report – March 2017 (Report No: PAS/FH/17/012)**

- 1.5.1 The Committee received and **noted** the fourth quarterly risk register monitoring report in respect of the West Suffolk Strategic Risk Register. The Register was updated regularly by the Risk Management Group and at its recent meeting 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).
- 1.5.2 Since the last assessment report presented to the Committee on 25 January 2017, there had been no new risks or amendments made to any existing risks and no existing risks had been closed. Some individual controls and actions had been updated and those which were not ongoing and had been completed

by March 2017 had been removed from the Register.

1.5.3 Members scrutinised the report and there were no issues to be brought to the attention of Cabinet.

1.6 **Work Programme Update (Report No: PAS/FH/17/013)**

1.6.1 The Committee received and **noted** its Work Programme which provided items scheduled to be presented to the Committee during 2017-2018.

1.7 **Financial Outturn Report (Revenue and Capital) 2016-2017 (Report No: PAS/FH/17/014)**

1.7.1 The Committee received the financial outturn report, which updated Members on the outturn revenue and capital position for 2016-2017.

1.7.2 Attached at Appendix A to the report was the revenue outturn position as at 31 March 2017, which showed an outturn break-even position. An analysis of revenue variances for 2016-2017 was attached as Appendix B. The Council's capital outturn position for the year end 2016-2017 was attached at Appendix C, which showed expenditure of £21,013,906 (including spend of £14,473,017 in respect of the Solar Farm). Appendix D to the report summarised the earmarked reserves for the year end position for 2016-2017.

1.7.3 The Committee scrutinised the report in detail and asked a number of questions to which Officers duly responded.

1.7.4 There being no decision required, the Committee **noted** the 2016-2017 outturn revenue and capital outturn positions as set out in Appendices A and C to Report No: PAS/FH/17/014.

1.8 **Ernst and Young – Certification of Claims and Returns Annual Report (2016-2017) (Report No: PAS/FH/17/015)**

1.8.1 The Committee received and **noted** a report from the Council's external auditor, Ernst and Young (EY), which updated Members on the outcome of the annual audit of grant claims, as detailed in their Annual Certification Report for 2015/2016 (Appendix A).

1.8.2 Mark Hodgson (External Director) from EY attended the meeting and presented this report, which summarised the results of the certification work which had been undertaken as part of the annual audit of grant claims to government departments and also set out the scale fee for carrying out this work.

He drew relevant details from the report to Members' attention and explained the one claim relating to the Housing Benefits Subsidy Claim. He also informed Members that the Public Sector Audit Appointments Limited (PSAA) has determined an indicative scale fee for 2015-2016 for the audit of the Housing Benefits subsidy claim of £15,642.

However, EY were proposing a reduction of £3,200 to the fee to reflect the reduced amount of audit work needed to be completed resulting in an actual

fee of £12,442 (subject to PSAA agreement).

1.9 **Ernst and Young – External Audit Plan and Fees 2016-2017 and 2017-2018 Indicative Fees (Report No: PAS/FH/17/016)**

- 1.9.1 The Committee received and **noted** a further report from EY, which provided the basis to review EY's proposed audit approach and scope for the 2016/2017 audit, along with the planned fees to complete the work.
- 1.9.2 Mark Hodgson from EY presented this report, which summarised EY's assessment of the key risks which drive the development of an effective audit for the Council, and outlined their planned audit strategy in response to those risks. EY aimed to issue its audit opinion to Members by September 2017. He also drew Members' attention to the indicative audit fee for 2017/2018 and how the scale fee was based.

Reference was also made to External Audit's current assessment of the Financial Statement Risks and of the Value for Money risks facing the Council, in relation to the purchase of Greenheath Energy Ltd. Mark further explained that this would require additional external audit work to be undertaken due to the material nature and complexity of this particular transaction.

2. Background Papers

- 2.1.1 Report No: [PAS/FH/17/008](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Internal Audit Charter
- 2.1.2 Report No: [PAS/FH/17/009](#) to the Performance and Audit Scrutiny Committee: Internal Audit Annual Report (2016-2017) and Outline Internal Audit Plan (2017-2018)
- 2.1.3 Report No: [PAS/FH/17/010](#) to the Performance and Audit Scrutiny Committee: Balanced Scorecards and Quarter 4 Performance Report 2016-2017
- 2.1.4 Report No: [PAS/FH/17/011](#) to the Performance and Audit Scrutiny Committee: Balanced Scorecard Indicators and Targets for 2017-2018
- 2.1.5 Report No: [PAS/FH/17/012](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2017
- 2.1.6 Report No: [PAS/FH/17/013](#) to the Performance and Audit Scrutiny Committee: Work Programme Update
- 2.1.7 Report No: [PAS/FH/17/014](#) to the Performance and Audit Scrutiny Committee: Financial Performance Report (Revenue and Capital) Outturn 2016-2017
- 2.1.8 Report No: [PAS/FH/17/015](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Ernst and Young – Certification of Claims and Returns Annual Report (2015-2016)

2.1.9 Report No: [PAS/FH/17/016](#) and [Appendix A](#) and [Appendix B](#) to the Performance and Audit Scrutiny Committee: Ernst and Young – External Audit Plan and Fees 2016-2017 and 2017-2018 Indicative Fees