

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Report of the Performance and Audit Scrutiny Committee: 25 May 2017	
Report No:	CAB/SE/17/031	
Report to and date:	Cabinet	27 June 2017
Portfolio Holder:	Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.gov.uk	
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Purpose of report:	<p>On 25 May 2017, the Performance and Audit Scrutiny Committee held an informal joint meeting with Members of Forest Heath'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 and Quarter 4 Performance Report 2016-2017(4) Balanced Scorecard Indicators and Targets for 2017-2018	

	<p>(5) West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2017;</p> <p>(6) Work Programme Update;</p> <p>(7) Ernst and Young – Certification of Claims and Returns Annual Report (2015-2016);</p> <p>(8) Ernst and Young – External Audit Plan and Fees 2016-2017 and 2017-2018 Indicative Fees; and</p> <p>(9) Financial Performance Report (Revenue and Capital) Outturn 2016-2017.</p>
Recommendation:	The Cabinet is requested to <u>NOTE</u> the contents of Report No: CAB/SE/17/031, being the report of the Performance and Audit Scrutiny Committee.
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<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:	
Are there any financial implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
Are there any staffing implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
Are there any ICT implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers
Are there any legal and/or policy implications?	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
Are there any equality implications? <i>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 recommendation

1.1 Internal Audit Charter (Report No: PAS/SE/17/006)

- 1.1.1 The Committee received Report No: PAS/SE/17/006, 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 Members scrutinised the revised Charter and asked questions to which officers responded and **Resolved** that the Internal Audit Charter attached as Appendix A to Report No: PAS/SE/17/006, be **approved**.

1.2 Internal Audit Annual Report (2016-2017) and Outline Internal Audit Plan (2017-2018) (Report No: PAS/SE/17/007)

- 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 The Committee considered the report, and **endorsed** the conclusion drawn in respect of the annual review of the effectiveness of internal audit. Finally, Members **approved** the Internal Audit Plan for 2017-2018 (Appendix C), and **noted** the content of the Annual Internal Audit Report for 2016-2017 (Appendix A) and the Managing the Risk of Fraud, Theft and Corruption Report (Appendix D).

1.3 Balanced Scorecards and Quarter 4 Performance Report 2016-2017 (Report No: PAS/SE/17/008)

- 1.3.1 The Committee received and **noted** Report No: PAS/SE/17/008, 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 fourth quarter of 2016-2017. The six current balanced scorecards (attached at Appendices A to F to Report No: PAS/SE/17/008) were linked to the Assistant Director 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 had risen, the total level of debt over 90 days had reduced from £631,000 to £487,000.

1.3.4 Officers took the Committee through each of the Balanced Scorecards one by one 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/SE/17/009)**

1.4.1 The Committee received and **noted** Report No: PAS/SE/17/009, which set out the proposed West Suffolk Balanced Scorecards indicators and targets to be used to measure the Council’s performance for 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 Monitoring Report – March 2017 (Report No: PAS/SE/17/010)**

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/SE/17/011)**

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 **Ernst and Young – Certification of Claims and Returns Annual Report (2015-2016) (Report No: PAS/SE/17/012)**

1.7.1 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).

1.7.2 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) had determined an indicative scale fee for 2015-2016 for the audit of the Housing benefits subsidy claim of £30,822.

However, EY were proposing a reduction of £6,100 to the fee to reflect the reduced amount of audit work that needed to be completed resulting in an actual fee of £24,722 (subject to PSAA agreement).

1.8 **Ernst and Young – External Audit Plan and Fees 2016-2017 and 2017-2018 Indicative Fees (Report No: PAS/SE/17/013)**

1.8.1 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.

1.8.2 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.

1.9 **Financial Performance Report (Revenue and Capital) Outturn 2016-2017 (Report No: PAS/SE/17/014)**

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

1.9.2 Attached at Appendix A to the report was the revenue outturn position as at 31 March 2017, which showed an overall underspend of £160,000. In accordance with the recommendations from report COU/SE/17/004 (Budget and Council Tax Setting: 2017-2018 and Medium Term Financial Strategy 2017-2021) the underspend of £160,000 had been transferred to the Council's Invest to Save Reserve, included in Appendix D.

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 £3,802,446. Appendix D to the report summarised the earmarked reserves for the year end position for 2016-2017.

1.9.3 The Committee scrutinised the report in detail and asked questions to which officers duly responded.

1.9.4 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/SE/17/014.

2. Background Papers

2.1.1 Report [PAS/SE/17/006](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Internal Audit Charter

2.1.2 Report [PAS/SE/17/007](#) to the Performance and Audit Scrutiny Committee: Internal Audit Annual Report (2016-2017) and Outline Internal Audit Plan (2017-2018)

2.1.3 Report [PAS/SE/17/008](#) to the Performance and Audit Scrutiny Committee: Balanced Scorecards and Quarter 4 Performance Report 2016-2017

2.1.4 Report [PAS/SE/17/009](#) to the Performance and Audit Scrutiny Committee: Balanced Scorecard Indicators and Targets for 2017-2018

2.1.5 Report [PAS/SE/17/010](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2017

2.1.6 Report [PAS/SE/17/011](#) to the Performance and Audit Scrutiny Committee: Work Programme Update

2.1.7 Report [PAS/SE/17/012](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Ernst and Young – Certifications of Claims and Returns Annual Report (2015-2016)

2.1.8 Report [PAS/SE/17/013](#) 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

2.1.9 Report [PAS/SE/17/014](#) to the Performance and Audit Scrutiny Committee: Financial Performance Report (Revenue and Capital) Outturn 2016-2017