

# Extraordinary Cabinet



**Forest Heath**  
District Council

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| <b>Title of Report:</b>           | <b>Report of the Performance and Audit Scrutiny Committee: 29 November 2017</b>   |                |
| <b>Report No:</b>                 | <b>CAB/FH/18/003</b>  |                |
| <b>Report to and date:</b>        | <b>Extraordinary Cabinet</b>  | 9 January 2018 |
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| <b>Chairman of the Committee:</b> | Councillor Louis Busuttil<br>Chairman of the Performance and Audit Scrutiny Committee<br><b>Tel:</b> 01638 810517<br><b>Email:</b> <a href="mailto:louis.busuttil@forest-heath.gov.uk">louis.busuttil@forest-heath.gov.uk</a>   |                |
| <b>Lead Officer:</b>              | Christine Brain<br>Democratic Services Officer (Scrutiny)<br><b>Tel:</b> 01638 719729<br><b>Email:</b> <a href="mailto:Christine.brain@westsuffolk.gov.uk">Christine.brain@westsuffolk.gov.uk</a>   |                |
| <b>Purpose of report:</b>         | On 29 November 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><br><br>(1) External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards;<br><br>(2) Mid-year Internal Audit Progress Report 2017-2018;<br><br>(3) Balanced Scorecard and Quarter 2 Performance Report 2017-2018;<br><br>(4) West Suffolk Strategic Risk Register Monitoring Report – September 2017; |                |

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|  | <p>(5) Work Programme Update;</p> <p>(6) Building Control – Improvement Plan;</p> <p>(7) Ernst and Young – Presentation of Annual Audit Letter 2016-2017;</p> <p>(8) Financial Performance Report (Revenue and Capital) – Quarter 2 2017-2018;</p> <p>(9) Delivering a Sustainable Medium Term Financial Strategy 2018-2021;</p> <p>(10) Mid-year Treasury Management Report and Investment Activity (April to September 2017);</p> <p><b>Note:</b> Items <b>(9)</b> and <b>(10)</b> above were considered by Cabinet at its meeting held on 12 December 2017.</p> |
| <b>Recommendation:</b>   | <b>The Cabinet is requested to <u>NOTE</u> the contents of Report CAB/FH/18/003, being the report of the Performance and Audit Scrutiny Committee.</b>   |
| <b>Key Decision:</b><br><br><i>(Check the appropriate box and delete all those that <b><u>do not</u></b> apply.)</i> | <i>Is this a Key Decision and, if so, under which definition?</i><br>Yes, it is a Key Decision - <input type="checkbox"/><br>No, it is not a Key Decision - <input checked="" type="checkbox"/><br><br>Report for information only.  |
| <b>Consultation:</b>   | <ul style="list-style-type: none"> <li>See reports listed in Section 2 below.</li> </ul>   |
| <b>Alternative option(s):</b>  | <ul style="list-style-type: none"> <li>See reports listed in Section 2 below</li> </ul>  |
| <b>Implications:</b>   |  |
| <i>Are there any <b>financial</b> implications?<br/>If yes, please give details</i>                                  | Yes <input type="checkbox"/> No <input type="checkbox"/><br>Please see background papers.  |
| <i>Are there any <b>staffing</b> implications?<br/>If yes, please give details</i>                                   | Yes <input type="checkbox"/> No <input type="checkbox"/><br>Please see background papers.  |
| <i>Are there any <b>ICT</b> implications? If yes, please give details</i>  | Yes <input type="checkbox"/> No <input type="checkbox"/><br>Please see background papers   |
| <i>Are there any <b>legal and/or policy</b> implications?</i>  | Yes <input type="checkbox"/> No <input type="checkbox"/><br>Please see background papers.  |
| <i>Are there any <b>equality</b> implications?<br/>If yes, please give details</i>                                   | Yes <input type="checkbox"/> No <input type="checkbox"/><br>Please see background papers.  |
| <b>Risk/opportunity assessment:</b>  | Please see background papers.  |
| <b>Ward(s) affected:</b>   | Please see background papers.  |
| <b>Background papers:</b>  | Please see background papers, which are listed at the end of the report.   |
| <b>Documents attached:</b>   | None   |

## **1. Key issues and reasons for recommendation**

### **1.1 External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards (Report No: PAS/FH/17/030)**

- 1.1.1 The Committee received and noted the report, which advised Members on the relevant requirements in respect of an external quality assessment of internal audit against the Public Sector Internal Audit Standards. The report covered the form that the assessment would take how the assessor was chosen, what the assessment involves, what it would tell us, and when the results of the assessment would be reported.
- 1.1.2 Internal audit within the public sector in the United Kingdom was governed by the Public Sector Internal Audit Standards (the 'Standards'), which had been in place since April 2013 (revised April 2013 and April 2017). The objectives of the Standards were to:
- define the nature of internal auditing within the UK public sector;
  - set basic principles for carrying out internal audit in the UK public sector;
  - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
  - establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.1.3 The Standards require that, in order to independently assess conformance with these Standards, an external assessment of the internal audit function must be conducted at least once every five years, and the first such assessment must be completed by April 2018.
- 1.1.4 The Committee considered the report, and did not raise any issues.

### **1.2 Mid-year Internal Audit Progress Report 2017-2018 (Report No: PAS/FH/17/031)**

- 1.2.1 The Committee received and **noted** the report, which advised Members of the work of the Internal Audit Section for the first half of 2017-2018 (Appendix A), including the variety of corporate projects and activities which were supported through the work of the team.
- 1.2.2 The report also included an update on progress made against the 2017-2018 Internal Audit Plan previously approved by the Committee in May 2017.
- 1.2.3 The Committee considered the report, and asked questions on fee earning work, which had decreased and the national fraud exercise in relation to duplicate creditor payments, to which responses were provided.

### **1.3 Balanced Scorecard and Quarter 2 Performance Report 2017-2018 (Report No: PAS/FH/17/032)**

- 1.3.1 The Committee received and **noted** the report, which set out the West Suffolk Balanced Scorecards being used to measure the Council's performance for 2017-2018 and an overview of performance against those indicators for the

second quarter of 2017-2018. The five current balanced scorecards (attached at Appendices A to E to Report No: PAS/FH/17/032) were linked to the Assistant Director's Service areas, which presented Quarter 2 2017-2018 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 This quarter the report included additional information requested by members on the number of enforcement cases on hand and the general upward trend of this figure over recent months; and the work being undertaken by the Planning Technical Support team in reducing the number of applications waiting to be validated and the backlog, which had reduced significantly.
- 1.3.4 The Committee in particular discussed outstanding debts; homelessness; General Data Protection Regulations; pre-application advice; income generated from waste and trade waste and flytipping.
- 1.3.5 No issues were required to be brought to the attention of Cabinet.

1.4 **West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2017 (Report No: PAS/FH/17/033)**

- 1.4.1 The Committee received and **noted** the second 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 in October 2017 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 September 2017 had been removed from the Register.
- 1.4.2 Since the Strategic Risk Register was last reported to the Committee, one new risk had been included "WS23 – Cyber Security, and one risk amended "WS11" to reflect West Suffolk's bid to become a single Council.
- 1.4.2 There had been no major amendments to current risks and no existing risks had been closed since the Strategic Risk Register was last report to the Committee.
- 1.4.3 Members considered the report and did not raise any issues.

1.5 **Work Programme Update (Report No: PAS/FH/17/034)**

- 1.5.1 The Committee received its Work Programme which provided items scheduled to be presented to the Committee during 2018. The Committee **noted** that an additional report on the Appointment of External Auditors would be presented to the Committee in January 2018.

1.6 **Building Control – Improvement Plan (Report No: PAS/FH/17/035)**

- 1.6.1 The Committee received and **noted** this report, which provided a review of current Building Control performance and the Development Plan for the service.
- 1.6.2 The report included information on the role of the building control service; challenges and opportunities (competition; staffing; commerciality and marketing; growth and economic cycles; collaboration and partnership working) current performance; operational performance; other public protection activities and development plan.
- 1.6.3 Members considered the report and was pleased to note that the service was moving in the right direction.

1.7 **Ernst and Young – Presentation of Annual Audit Letter (2016-2017) Report No: PAS/FH/17/036)**

- 1.7.1 The Committee received and **noted** this report which updated Members on the outcome of the annual audit of the 2016-2017 financial statements by Ernst and Young as detailed in their Annual Audit Letter for 2016-2017, attached as Appendix 1 to Report No: PAS/FH/17/036. The letter was for information and confirmed the completion of the audit of the 2016-2017 financial statements.
- 1.7.2 It was reported that the final audit fee for 2016-2017 of £56,309 was £9,250 higher than the planned audit fee of £47,059. The additional fee related to work required to review the valuation and accounting transactions in relation to the acquisition of Greenheath Energy Limited, and had been agreed by the S151 Officer.
- 1.7.3 Work on the certification of claims and returns was not due to be completed until November 2017 and the results of this work, along with the final fee, would be reported in the Annual Certification Report.

1.8 **Financial Performance Report (Revenue and Capital) - Quarter 2 2017-2018 (Report No: PAS/FH/17/037)**

- 1.8.1 The Committee received and **noted** Report No: PAS/FH/17/037, which set out the financial performance for the second quarter of 2017-2018 and forecasted outturn position for 2017-2018.
- 1.8.2 Attached at Appendices A and B to the report were 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 in the table within paragraph 1.2.3 of the report. Appendix C to the report set out the Council's capital financial position for the first six months of 2017-2018, which showed expenditure of £629,530. Finally, a summary of earmarked reserves was attached at Appendix D, along with the forecast year end position for 2017-2018.
- 1.8.3 The Resources and Performance Team will 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 will be presented to the Committee on a quarterly basis.

- 1.8.4 The Committee scrutinised the report and asked questions to which Officers duly responded. In particular, Officers provided explanations on the variances set out in paragraph 1.2.3 and outlined the reasoning for these.

## **2. Background Papers**

- 2.1.1 Report [PAS/FH/17/030](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards
- 2.1.2 Report [PAS/FH/17/031](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Mid-Year Internal Audit Progress Report 2017-2018
- 2.1.3 Report [PAS/FH/17/032](#) to the Performance and Audit Scrutiny Committee: Balanced Scorecards and Quarter 2 Performance Report 2017-2018
- 2.1.4 Report [PAS/FH/17/033](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: West Suffolk Strategic Risk Register Quarterly Monitoring Report (Sept 2017)
- 2.1.5 Report [PAS/FH/17/034](#) to the Performance and Audit Scrutiny Committee: Work Programme Update
- 2.1.6 Report [PAS/FH/17/035](#) to the Performance and Audit Scrutiny Committee: Building Control – Improvement Plan
- 2.1.7 Report [PAS/FH/17/036](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: Ernst and Young – Annual Audit Letter 2016-2017
- 2.1.8 Report [PAS/FH/17/037](#) to the Performance and Audit Scrutiny Committee: Financial Performance Report (Revenue and Capital) Quarter 2 – 2017-2018