Joint Executive (Cabinet) Committee

St Edmundsbury BOROUGH COUNCIL

Title of Report:	**Report of St Edmundsbury's Performance and Audit Scrutiny Committee: 31 May 2018**	
Report No:	**CAB/JT/18/002**	
Report to and date:	**Joint Executive (Cabinet) Committee**	25 June 2018
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Lead Officer:	Christine Brain Democratic Services Officer (Scrutiny) **Tel:** 01638 719729 **Email:** Christine.brain@westsuffolk.gov.uk	
Purpose of report:	On 31 May 2018, the Performance and Audit Scrutiny Committee held an informal joint meeting with Members of Forest Heath's Performance and Audit Scrutiny Committee, and considered the following items jointly: (1) External Quality Assessment of Internal Audit Outcomes; (2) Internal Audit Annual Report (2017-2018); (3) Outline Internal Audit Report (2018-2019); (4) Balanced Scorecards Quarter Four Performance (2017-2018)	

	(5) 2018-2019 Draft Performance Indicators and Targets; (6) West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2018; (7) Financial Outturn Report (Revenue and Capital) (2017-2018); (8) Ernst and Young – 2018-2019 Indicative Fees; and (9) Work Programme Update.
Recommendation:	**It is <u>RECOMMENDED</u> that Report No: CAB/SE/18/002, being the report of St Edmundsbury's Performance and Audit Scrutiny Committee, be noted.**
Key Decision:	No, it is not a Key Decision - ☒ Report for information only.

Consultation:	• See reports listed in Section 2 below.
Alternative option(s):	• See reports listed in Section 2 below.

Implications:	
*Are there any **financial** implications? If yes, please give details*	Yes ☐ No ☐ Please see background papers.
*Are there any **staffing** implications? If yes, please give details*	Yes ☐ No ☐ Please see background papers.
*Are there any **ICT** implications? If yes, please give details*	Yes ☐ No ☐ Please see background papers.
*Are there any **legal and/or policy** implications? If yes, please give details*	Yes ☐ No ☐ Please see background papers.
*Are there any **equality** implications? If yes, please give details*	Yes ☐ No ☐ Please see background papers.
Risk/opportunity assessment:	Please see background papers.
Ward(s) affected:	All Wards
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 External Quality Assessment of Internal Audit Outcomes (Report No: PAS/SE/18/009)

1.1.1 The Committee received and **noted** Report No: PAS/SE/18/009, which informed members on the outcome of the recent External Quality Assessment of the internal audit function.

1.1.2 The main conclusion from the assessor which was set out on page 2, paragraph 3 of Appendix A stated that "*no areas of non-compliance with the Standards were identified that would affect the overall scope or operation of the internal audit activity*" and that "*Council officers clearly value audit's input, requesting reviews, support and advice*".

1.1.3 However, the report had raised a number of recommendations and suggestions which had been agreed by the Internal Audit Service Manager, which were contained within the action plan included in the assessor's report as Appendix 1, and progress against the action plan would be reported to the Committee in due course.

1.1.4 In response to a questions raised members were informed that the external assessment had helped to confirm that the work carried out by Internal Audit was operating in accordance with the Standards.

1.2 Internal Audit Annual Report (2017-2018) (Report No: PAS/SE/18/010)

1.2.1 This report summarised the work undertaken by Internal Audit for the year ending 31 March 2018. Attached at Appendix A to the report was the Internal Audit Annual Report, and summaries of the audit work carried out during the year across West Suffolk was attached as Appendix B. The report also included information which demonstrated the councils' progress made during the year in developing and maintaining an anti-fraud and anti-corruption culture and published actions taken where fraud or misconduct had been identified (Appendix C).

1.2.2 In response to a question raised regarding Non Domestic Rates and the five points set out in paragraphs 8.4 to 8.8 of the report, regarding key areas where improvements were required, officers agreed to provide a written response on how the council was addressing the issues.

1.2.3 The Committee **endorsed** the conclusion drawn in respect of the annual review of the effectiveness of internal audit and **noted** the contents of the Annual Internal Audit Report for 2017/18 (Appendix A) and the Managing the Risk of Fraud, Theft and Corruption Report at Appendix C.

1.3 Outline Internal Audit Plan (2018-2019) (Report No: PAS/SE/18/011)

1.3.1 This report provided details of the proposed Outline Internal Audit Plan for 2018-2019.

1.3.2 The proposed 2018-2019 Audit Plan, attached at Appendix A to the report was a risk based plan of work for the Internal Audit team which provided a framework for ensuring that audit resources were focused on activities that would make the most difference to supporting West Suffolk priorities.

1.3.3 The draft Internal Audit Plan included two categories of work, which supported the annual internal audit opinion (assurance work) and other (non-assurance work). The intention was that as far as possible the audits would be undertaken in priority order and as many of the audits completed as possible within the available resources.

1.3.4 The Committee considered the report, and **approved** the Internal Audit Plan for 2018-2019.

1.4 **Balanced Scorecards and Quarter 4 Performance Report 2017-2018 (Report No: PAS/SE/18/012)**

1.4.1 The Committee received and **noted** Report No: PAS/SE/18/012, 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 fourth quarter of 2017-2018. The five balanced scorecards (attached at Appendices A to E to Report No: PAS/SE/18/012) were linked to the Assistant Director's Service areas, which presented Quarter 4 2017-2018 performance.

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

1.4.3 Members considered the report and each appendix in detail and asked questions to which comprehensive responses were provided. In particular discussions were held on:

- Appendix B, (Families and Communities): *"Housing options – numbers in Bands A and B"*
- Appendix C (HR, Legal and Democratic Services): *"HR – time take to complete recruitment process"*
- Appendix D (Planning and Regulatory): *"Solar panels and 5-star food rating regime"*
- Appendix E (Operations): *"Number of flytipping incidents recorded in West Suffolk"*

1.4.4 No issues were required to be brought to the attention of Cabinet.

1.5 **2018-2019 Draft Performance Indicators and Targets (Report No: PAS/SE/18/013)**

1.5.1 The Committee received and **noted** Report No: PAS/SE/18/013, which provided members with the opportunity to discuss and review the

principles, metrics and format proposed to be used for performance management for 2018-2019.

1.5.2 The proposed Key Performance Indicators (KPIs) for 2018-2019 had been categorised to match up against the Strategic Priorities (inclusive growth; families and communities; housing) or day-to-day service delivery creating four scorecards, which was attached as Appendix A to the report.

1.5.3 Members were asked to scrutinise the proposed balanced scorecard indicators and targets for 2018-2019, and identify any further information required for their use commencing in Quarter 1, which would be presented to the Committee in July 2018.

1.5.4 Members considered the report and acknowledged the Committee would be able to add commentary during the year as the proposed KPIs evolved. However, members sought reassurance that KPIs beyond the councils strategic priorities would also continue to be scrutinised, such as homelessness, planning and flytipping, which were also important.

1.6 **West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2018 (Report No: PAS/SE/18/014)**

1.6.1 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 in March 2018 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 Strategic Risk Register (Appendix 1 to Report No: PAS/SE/18/014).

1.6.2 Some individual controls or actions had been updated and those that were not ongoing and had been completed by March 2018 had been removed from the register.

1.6.3 There had been no major amendments made to any existing risks since the Strategic Risk Register was last reported to the Committee. Also no existing risks had been closed since the Register was last reported to the Committee. However, one new action had been added to risk number WS14 (Service failure through unplanned events) *"Adoption of lessons learnt from Carillion and Capita issues. Revise procurement and contract management policies to include learning".*

1.6.4 Members considered the report and did not raise any issues for the attention of Cabinet.

1.7 **Financial Outturn Report (Revenue and Capital) (2017-2018) (Report No: PAS/SE/18/015)**

1.7.1 The Committee received the financial outturn report, which updated Members on the outturn revenue and capital position for 2017-2018.

1.7.2 Attached at Appendix F to the report was the overall revenue year end position, which showed an underspend of £35,523, and in accordance with recommendations made by Council on 20 February 2018, the underspend would be transferred to the council's Invest to Save reserve (Appendix J). An analysis of the revenue variances for 2017-2018 was attached as Appendix H. The Council's capital outturn position for the year end 2017-2018 was attached at Appendix I, which showed expenditure of £14,712,450. Appendix J to the report summarised the earmarked reserves for the year end position for 2017-2018.

1.7.3 The Committee considered the report, and there being no issues raised and no decision required, the Committee **noted** the 2017-2018 outturn revenue and capital outturn positions as set out in Appendices G and I to Report No: PAS/SE/18/015.

1.8 **Ernst and young – 2018-2019 Indicative Fees (Report No: PAS/SE/18/016)**

1.8.1 The Committee received and **noted** a report from the Council's external auditor, Ernst and Young (EY) which provided the basis to review EY's indicative fees for the 2018/2019 audit as set out in the letter attached at Appendix A to the report.

1.8.2 The indicative fees represented a reduction of 23% from the planned fees for 2017-2018. The indicative fees would be reviewed and updated as necessary following the completion of the 2017-2018 audit.

1.8.3 However, the fee did not include the certification of the council's 2018-2019 housing benefit subsidy claim. It was reported that the provision of Housing Benefit subsidy certification audit services fell outside of the Public Sector Audit Appointments audit of appointing auditors. Therefore they needed to be appointed by each participating council. In order to keep consistency of approach across each partner council that made up the Anglia Revenue Partnership, it was proposed to continue to use EY to deliver the Housing Benefit subsidy certification service for 2018-2019. The indicative fee reported represented a reduction of 1.6% from the fees for 2017-2018.

1.8.4 The Committee scrutinised the indicative fees and asked questions to which responses were provided. In response to a question raised regarding indicative fees for 2019-2020, the Assistant Director (Resources and Performance) advised that assumptions had been made and was hopeful that there would be further reductions in the fee level.

1.9 **Work Programme Update (Report No: PAS/SE/18/017)**

1.9.1 The Committee received Report No: PAS/SE/18/017, which provided information on the current status of its forward work programme for 2018-2019.

1.9.2 The Committee was advised on some changes to the July and September work programme items. It was proposed that the first quarter monitoring reports currently scheduled for September be brought forward

to an additional Informal Joint meeting to be held on 25 July 2018, commencing at 5.30pm at St Edmundsbury Borough Council. Therefore on 25 July there would be three meetings:

- 5pm: St Edmundsbury's Performance and Audit Scrutiny Committee: (Approval of Accounts)

- 5.30pm: Informal Joint Performance and Audit Scrutiny

- 6pm: Forest Heath's Performance and Audit Scrutiny Committee: (Approval of Accounts)

1.9.3 Finally, members were informed that both councils Overview and Scrutiny Committees on 6 and 7 June 2018 would be considering a report to establish a West Suffolk Joint Task and Finish Group to Review the Garden Waste Collection Service. The Group would be made up of eight members (four from each council), with one from each council being a member of the Performance and Audit Scrutiny Committee.

Members were asked to inform the Democratic Services Officer (Scrutiny) by Tuesday 5 June 2018 if they were interested in sitting on the Group as the Performance and Audit Scrutiny representative for Forest Heath District Council / St Edmundsbury Borough Council.

1.9.4 The Committee **noted** the contents of its forward work programme for 2018-2019, and the changes made by officers to its July 2018 meeting.

2. Background Papers

2.1.1 Report No: PAS/SE/18/009 and Appendix A to the Performance and Audit Scrutiny Committee: External Quality Assessment of Internal Audit Outcomes

2.1.2 Report No: PAS/SE/18/010, Appendix A, Appendix B and Appendix C to the Performance and Audit Scrutiny Committee: Internal Audit Annual Report (2017-2018)

2.1.3 Report No: PAS/SE/18/011 and Appendix A to the Performance and Audit Scrutiny Committee: Outline Internal Audit Plan (2018-2019)

2.1.4 Report No: PAS/SE/18/012 and Appendix A, Appendix B, Appendix C, Appendix D, Appendix E to the Performance and Audit Scrutiny Committee: Balanced Scorecards and Quarter 4 Performance Report 2017-2018

2.1.5 Report No: PAS/SE/18/013 to the Performance and Audit Scrutiny Committee: 2018-2019 Draft Performance Indicators and Targets

2.1.6 Report No: PAS/SE/18/014 and Appendix 1 to the Performance and Audit Scrutiny Committee: West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2017

2.1.7 Report No: PAS/SE/18/015 and Appendix F, Appendix G, Appendix H, Appendix I and Appendix J to the Performance and Audit Scrutiny Committee: Financial Outturn Report (Revenue and Capital) 2017-2018

2.1.8 Report No: PAS/SE/18/016, Appendix A and Appendix C to the Performance and Audit Scrutiny Committee: Ernst and Young – 2018-2019 Indicative Fees

2.1.9 Report No: PAS/SE/18/017 to the Performance and Audit Scrutiny Committee: Work Programme Update