

# Report of the Performance and Audit Scrutiny Committee: 28 May 2020

<b>Report No:</b>	<b>CAB/WS/20/038</b>	
<b>Report to and date:</b>	<b>Cabinet</b>	23 June 2020
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**Decisions Plan:** This item is not included on the Decisions Plan.

**Wards impacted:** All wards

**Recommendation:** It is **RECOMMENDED** that Report No: CAB/WS/20/038, being the report of the Performance and Audit Scrutiny Committee, be **noted**.

## **1. Background / Context**

1.1 On 28 May 2020, the Performance and Audit Scrutiny Committee held its first virtual TeamsLive meeting, at which it considered the following items:

- (1) Ernst and Young – Presentation of External Audit Plan and Fees (2019-2020);
- (2) Internal Audit Annual Report (2019-2020);
- (3) Internal Audit Plan (2020-2021);
- (4) 2019-2020 Performance Report – Year End Outcome; and
- (5) Work Programme Update 2020-2021.

### **1.2 Ernst and Young – Presentation of External Audit Plan and Fees (2019-2020) Report No: PAS/WS/20/007**

1.2.1 The Committees received and **noted** the above report from EY, the Council's appointed external auditors, who were required to provide an audit plan, attached at Appendix A, which covered the work they planned to perform in order to provide the Council with:

- An opinion on whether the financial statements of the Council gave a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- A conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (value for money).

1.2.2 Mark Hodgson, Associate Partner 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. Officers would be working with EY over the coming months to ensure that these risks were managed and where possible to come to an agreement over their treatment prior to issuing of the Annual Results Report, and Audit Opinion.

1.2.3 He drew Members' attention to the summary of audit risks set out on pages 5 – 6; risks relating to property, plant and equipment and pensions, set out on page 15; value for money risk over the term of the Council's medium-term financial strategy and the financial impact of Covid-19; and the planned and scale fees set by the Public Sector Audit Appointments Ltd for carrying out the work for 2019/2020, as set out on page 37 of the Audit Plan (Appendix A). EY were currently in discussions with management to agree the planned fee for the year end.

1.2.4 The Committee considered the report in detail and asked questions to which responses were provided. Discussions were held on the valuation of the solar farm; the procedure around setting and negotiating audit fees; and the pensions deficit.

### **1.3 Internal Audit Annual Report (2019-2020) Report No: PAS/WS/20/008**

- 1.3.1 The annual audit opinion attached at Appendix A to the report was split into four constituent elements of governance; risk; internal control and financial control with a specific conclusion drawn on each, as well as the direction of travel.
- 1.3.2 The council also recognised that fraud, theft and corruption was an ever-present threat to the resources available in the public sector. Appendix B demonstrated West Suffolk's progress in developing and maintaining an anti-fraud and anti-corruption culture and publicised the action taken where fraud or misconduct had been identified.
- 1.3.3 Relevant issues were brought to member's attention. In particular, that audit opinions given to individual audits were all either good assurance or reasonable assurance, as set out on pages 65 – 66 of Appendix A.
- 1.3.4 The Committee considered the report and asked questions to which responses were provided. Discussions were held on the single person discount fraud and why there had been a sudden rise in 2019-2020; business rate fraud and the fraud corruption tracker.
- 1.3.5 The Committee **noted** the Internal Audit Annual Report 2019-2020, attached at Appendix A and the Annual Fraud Report 2019-2020, attached at Appendix B to Report No: PAS/WS/20/008.

### **1.4 Internal Audit Plan (2020-2021) Report No: PAS/WS/20/009**

- 1.4.1 This report provided details on the proposed 2020-2021 Audit Plan. The proposed Audit Plan, attached at Appendix B to the report was a risk based plan of work for the internal audit team, which took into account the need to produce an annual internal audit opinion for the council which concludes on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.
- 1.4.2 The ongoing challenges for the council resulting from the Covid-19 pandemic had been taken into account in producing the draft audit plan. Because of these challenges it was more important than ever that the audit plan was flexible and could adapt as circumstances changed and that audit resources were used where they added maximum value, whether by directly supporting the council's response to Covid-19 or providing assurance to the council in the usual way.
- 1.4.3 The Committee considered the report and discussed whether references should be made to any furloughed staff (Appendix B), under payroll, and what the effects might be to the Council once the United Kingdom had left the European Union.
- 1.4.4 The Committee **approved** the Internal Audit Plan for 2020-2021.

## **1.5 2019-2020 Performance Report – Year End Outturn (Report No: PAS/WS/20/010)**

- 1.5.1 The Committee was informed that since the outbreak of Covid-19 in the UK, a number of events had occurred which had had a significant impact on West Suffolk Council's financial position. Some of these had been restrictions imposed by Government that had affected West Suffolk Council's investments and services; and others had been announcements of Government financial support.
- 1.5.2 This report presented performance for the financial year 2019-2020 up to 31 March 2020. Therefore, only 8 days of the impact of the lock-down announced on 23 March 2020 were included in the report. The financial impact of Covid-19 had been separated out where possible to provide context to the outturn position.
- 1.5.3 Funding had been received from central government in 2020-2021 to contribute towards the costs borne as a result of Covid-19. Therefore, the deficit driven by Covid-19 in 2019-2020 would be funded through the Strategic Priority and Medium-Term Financial Strategy reserve at year end and would be restored by the funding in 2020-2021. The underlying deficit would be funded from the General Fund.
- 1.5.4 The Committee received and **noted** Report No: PAS/WS/20/010, which set out the final performance and financial outturn position for 2019-2020.
- 1.5.5 The report showed the final performance indicators and financial outturn position, as set out in the following appendices attached to the report:
- Appendix A: Performance Indicators – Commentary
  - Appendix B: Performance Indicators – Growth
  - Appendix C: Performance Indicators – Families and Communities
  - Appendix D: Performance Indicators – Housing
  - Appendix E: Performance Indicators – Day to Day
  - Appendix F: Income and Expenditure Report
  - Appendix G: Capital Programme
  - Appendix H: Earmarked Reserves
  - Appendix I: Strategic Risk Register
- 1.5.6 Members considered the report in detail and asked questions of the Assistant Directors/Service Managers, to which responses were provided. Discussions were held on:
- Appendix A: Debt over 90 days;
  - Appendix C: Number of households in temporary accommodation;
  - Appendix C: Number of fly-tipping incidents recorded in West Suffolk: Members congratulated officers on the various preventative initiatives carried out over the year;
  - Appendix E: % response rate to annual canvass of electors;
  - Appendix E: % collection of Council Tax and Business Rates; and
  - Appendix E: Car park income: Members asked whether CPE figures would be reported separately from car park income in 2020-2021.

## **1.6 Work Programme Update 2020-2021 (Report No: PAS/WS/20/011)**

1.6.1 The Committee received Report No: PAS/WS/20/011, which provided information on the current status of its forward work programme for 2020-2021.

1.6.2 The Committee **noted** the contents of its forward work programme for 2020-2021.

## **3. Alternative Options**

3.1 Please see background papers.

## **4. Consultation and engagement**

4.1 Please see background papers.

## **5. Risks**

5.1 Please see background papers.

## **6. Implications arising from the proposal**

### **6.1 Financial**

Please see background papers.

### **6.2 Equalities**

Please see background papers.

## **7. Appendices**

7.1 Please see background papers

## **8. Background documents**

8.1 Report No: [PAS/WS/20/007](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Ernst and Young – Presentation of External Audit Plan and Fees (2019-2020)

8.2 Report No: [PAS/WS/20/008](#), [Appendix A](#) and [Appendix B](#) to the Performance and Audit Scrutiny Committee: Internal Audit Annual Report (2019-2020)

8.3 Report No: [PAS/WS/20/009](#), [Appendix A](#) and [Appendix B](#) to the Performance and Audit Scrutiny Committee: Internal Audit Plan (2020-2021)

8.4 Report No: [PAS/WS/20/010](#), [Appendix A](#), [Appendix B](#), [Appendix C](#), [Appendix D](#), [Appendix E](#), [Appendix F](#), [Appendix G](#), [Appendix H](#) and [Appendix I](#) to the Performance and Audit Scrutiny Committee: 2019-2020 Performance Report – Year End Outturn

8.5 Report No: [PAS/WS/20/011](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: Work Programme Update 2020-2021