

# Report of the Performance and Audit Scrutiny Committee: 27 May 2021

<b>Report number:</b>	<b>CAB/WS/21/024</b>	
<b>Report to and date:</b>	<b>Cabinet</b>	29 June 2021
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**Decisions Plan:** **This item is not required to be included on the Decisions Plan.**

**Wards impacted:** **All wards**

**Recommendation:** **It is recommended that Report number: CAB/WS/21/024, being the report of the Performance and Audit Scrutiny Committee, be noted.**

## 1. Context to this report

- 1.1 On 27 May 2021, the Performance and Audit Scrutiny Committee held its virtual TeamsLive meeting, at which it considered the following items:
1. Ernst and Young – External Audit Plan and Fees (2020 to 2021)
  2. Internal Audit Annual Audit Report (2020 to 2021)
  3. Outline Internal Audit Plan (2021 to 2022)
  4. 2020-2021 Performance Report (Quarter 4)
  5. Health and Safety Summary Report 2020 to 2021
  6. Annual Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee.
  7. Work Programme Update

## 2. Proposals within this report

### 2.1 **Ernst and Young – External Audit Plan and Fees (2020 to 2021)** **(Report number: PAS/WS/21/005)**

- 2.1.1 The Committee received and **noted** the above report from Ernst and Young (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 2021 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).
- 2.1.2 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.
- 2.1.3 He drew members' attention to the summary of audit risks set out in the report. The main change to the value for money conclusion was that EY would only need to report by exception.
- 2.1.4 The Committee considered the report and asked questions to which responses were provided. In particular members sought clarification on the risks associated with "incorrect capitalisation of revenue expenditure" set out on page 15 of the report and "omission or understatement of NDR

appeals provisions” on page 16 to which Mark Hodgson provided responses.

## 2.2 **Internal Audit Annual Audit Report (2020 to 2021) (Report number: PAS/WS/21/006)**

- 2.2.1 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.
- 2.2.2 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.
- 2.2.3 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 and 66 of Appendix A.
- 2.2.4 The Committee considered the report and asked questions to which responses were provided. In response to a question raised regarding the reopening of the “high street fund” set out on page 69 of the report, and whether this was the same as the new “welcome back fund”, officers explained that they were not the same and that there were a number of different business funds currently in progress and being discussed with stakeholders.
- 2.2.5 The Committee **noted** the Internal Audit Annual Report 2020 to 2021, attached at Appendix A and the Annual Fraud Report 2020 to 2021, attached at Appendix B to Report number: PAS/WS/20/006.

## 2.3 **Outline Internal Audit Plan (2021 to 2022) (Report number: PAS/WS/21/007)**

- 2.3.1 This report provided details on the proposed 2021 to 2022 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.
- 2.3.2 It was important that the audit plan was flexible and able to adapt to changing risks facing the Council, thereby ensuring that audit resources were used where they would add maximum value. During the year, specific audits might therefore need to be taken out of the plan or added in, according to changing circumstances.

- 2.3.3 The Committee considered the report and in particular discussed Brexit and whether this had an impact on audits. In response the Service Manager (Internal Audit) explained that the Council was still working through the implications of Brexit but did not envisage this would have a significant impact on the council's audit work.
- 2.3.4 The Committee **endorsed** the Outline Internal Audit Plan for 2021 to 2022 for formal adoption at its meeting on 29 July 2021.
- 2.4 **2020 to 2021 Performance Report – Quarter 4 (Report number: PAS/WS/21/008)**
- 2.4.1 The Committee received Report number: PAS/WS/21/008, which set out the impact of Covid-19 and the Quarter 4 performance and financial outturn summary for the year ending 31 March 2021.
- 2.4.2 The report set out the outturn position for the year 2020-2021, which had improved from the previous position reported in Quarter 3. Funding of additional Covid-19 related costs had been achieved through the work of the Council, utilising existing budgets, delivery of Covid-19 related initiatives with existing resources and external grants. This meant the year end position showed these variances to reduce to an overall impact of £1,359,000. The deficit would be funded largely from the previously agreed use of the in-year 2020 to 2021 New Homes Bonus allocation which was previously allocated to support strategic projects. The net deficit balance of £159,000 would then be funded from the Council's general fund balance as the Council closed the final accounts for 2020 to 2021.
- 2.4.3 The Council had spent £31.9 million of its capital budget, out of a total of £83.6 million for the year on Barley Homes and the Mildenhall Hub projects. The difference was due to the phasing of some of the capital projects, for example the Western Way Development, which had been carried forward into 2021 to 2022, and some of the invest for growth funds which had also been carried forward.
- 2.4.4 The earmarked reserves position at the end of the year was £37.6 million, which had improved from where the Council thought it would be by the end of the year. This was primarily due to the net under-utilisation of underspends on fleet phasing in terms of what's spent on vehicle replacements. As the Council had not borrowed externally in the year this had meant the council did not have to fund as much as originally expected.
- 2.4.5 Attached to the Quarter 4 performance report were a number of appendices which set out the performance and financial outturn for 2020 to 2021, as follows:
- 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

2.4.6 Members considered the report and asked questions to which responses were provided. In particular discussions were held on Barley Homes as set out in Appendix G (Capital Programme) regarding the revised budget for the year; the management of property units and whether these could be managed in-house; and the number of households in bed and breakfast accommodation. Officers explained they were working with landlords and the Anglia Revenues Partnership in managing evictions to try and avoid the use of bed and breakfast accommodation for people coming through the system.

2.4.7 In response to a question raised regarding whether there were any specific regulations for people setting up caravan pitches in back gardens, officers indicated they would raise this matter with the planning and council tax services for a written response.

2.4.8 At the conclusion of the discussions, the Committee **noted** the:

- Impact of Covid-19 on the Council's current financial year 2020 to 2021.
- 2020 to 2021 Revenue and Capital positions as detailed in the report and appendices.

## 2.5 **Health and Safety Summary Report 2020 to 2021 (Report number: PAS/WS/21/009)**

2.5.1 The Committee received and **noted** the above report which summarised the work carried out by the Health and Safety Sub-Committee during 2020 to 2021.

2.5.2 The Health and Safety summary report attached at Appendix A was produced to identify and document West Suffolk Council's health and safety performance and work carried out during the year to ensure legal compliance.

2.5.3 The Committee considered the report and asked questions. In particular discussions were held on whether incidents and accidents had increased during 2020 to 2021 due to Covid-19. In response the Service Manager (Health and Safety) explained that Covid-19 and not had an effect on the

reporting of incidents and accidents, which had stayed the same when compared to previous reporting periods.

**2.6 Annual Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee (Report number: PAS/WS/21/010)**

2.6.1 The Committee received the above report, which sought appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee. The Committee was asked to:

1. recommend three members and one substitute member from the membership of the Performance and Audit Scrutiny Committee to sit on the Financial Resilience Sub-Committee for the remainder of 2021 to 2022; and
2. recommend six members and two substitute members from the membership of the Performance and Audit Scrutiny Committee to sit on the Health and Safety Sub-Committee for the remainder of 2021 to 2022.

2.6.2 In considering the Conservative nominations for the Health and Safety Sub-Committee, the Monitoring Officer agreed to seek members and substitute members, following the meeting, with the Group Leader, which would then be brought back to the Committee on 29 July 2021 for formal approval. At the conclusion of the discussions the following nominations were put forward as follows:

**Financial Resilience Sub-Committee**

- Councillors Ian Houlder and Elaine McManus (Conservative Group) wished to continue to serve as full members on the Sub-Committee.
- Councillor Victor Lukaniuk (The Independent Group) wished to continue to serve as a full member on the Sub-Committee.
- Councillor Robert Nobbs (Conservative Group) wished to continue to serve as the substitute on the Sub-Committee.

**Health and Safety Sub-Committee**

- Councillor Cliff Waterman (Labour Group) wished to continue to serve as a full member on the Sub-Committee
- The Monitoring Officer agreed to speak with the Leader of the Independent Group to see if Councillor John Smith wished to continue as a full member.
- Councillor Robert Nobbs (Conservative Group) wished to continue as a full member on the Sub-Committee. Councillor Elaine McManus

wished to sit as a full member on the Sub-Committee to replace Councillor Karen Richardson. The Monitoring Officer agreed to seek two further full members, following the meeting with the Group Leader.

- The Monitoring Officer agreed to seek one substitute (Conservative Group) and one substitute (Independent Group) following the meeting with the relevant Group Leaders.

## 2.7 **Work programme update 2021 (Report number: PAS/WS/21/011)**

2.7.1 The Committee received Report number: PAS/WS/21/011, which provided information on the current status of its forward work programme for 2021.

2.7.2 The Committee **noted** the contents of its forward work programme for 2021.

## 3. **Alternative options that have been considered**

3.1 Please see background papers.

## 4. **Consultation and engagement undertaken**

4.1 Please see background papers.

## 5. **Risks associated with the proposals**

5.1 Please see background papers.

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

6.1 Financial:

Please see background papers.

6.2 Equalities:

Please see background papers.

## 7. **Appendices referenced in this report**

7.1 Please see background papers.

## **8. Background documents associated with this report**

- 8.1 Report number: [PAS/WS/21/005](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Ernst and Young – Presentation of External Plan and Fees (2020-2021)
- 8.2 Report number: [PAS/WS/21/006](#) and [Appendix A](#) and [B](#) to the Performance and Audit Scrutiny Committee: Internal Audit Annual Report (2020-2021)
- 8.3 Report number: [PAS/WS/21/007](#) and [Appendix A](#) and [B](#) to the Performance and Audit Scrutiny Committee: Outline Internal Audit Plan (2021-2022)
- 8.4 Report number: [PAS/WS/21/008](#) and Appendices [A](#), [B](#), [C](#), [D](#), [E](#), [F](#), [G](#), [H](#) and [I](#) to the Performance and Audit Scrutiny Committee: 2020-2021 Performance Report – Quarter 4
- 8.5 Report number: [PAS/WS/21/009](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Health and Safety Summary Report 2020-2021
- 8.6 Report number [PAS/WS/21/010](#) and [Appendix 1](#) and [Appendix 2](#) to the Performance and Audit Scrutiny Committee: Annual Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee
- 8.7 Report number: [PAS/WS/21/011](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: Work programme update