

# Forest Heath District Council

**PERFORMANCE AND  
AUDIT SCRUTINY  
COMMITTEE**

**24 SEPTEMBER 2013**

**PAS13/010**

(This report is not a key decision and has been subject to appropriate notice of publication under the Council's access to information rules)

## **Report of the Chief Financial Officer (Section 151 Officer)**

### **ERNST AND YOUNG PRESENTATION OF 2012-2013 ISA 260 ANNUAL GOVERNANCE REPORT TO THOSE CHARGED WITH GOVERNANCE**

#### **1. Summary and reasons for recommendations**

- 1.1 The attached report presents the results of Ernst and Young's audit of the financial statements for 2012/13 – its first year as the Council's appointed external auditor. It sets out those issues they are formally required to report on to those charged with governance under the Audit Commission Code of Audit Practice and International Standards on Auditing (UK & Ireland) (ISA (UK&I)) 260. It also includes the result of the work that Ernst and Young have undertaken to assess the Council's arrangements to secure value for money in the use of its resources. This committee is now charged with governance in accordance with powers delegated to it under the Council's Constitution.
- 1.2 The Council's unaudited 2012/13 statement of accounts, signed by the Council's Chief Financial Officer (Section 151 Officer) on 28th June 2013, have been updated to reflect adjustments recommended by External Audit from their audit work. It should be noted by Members that these adjustments are all immaterial to the overall financial position of the Council and are in most cases merely presentational changes.
- 1.3 There is one item that Officers have not adjusted and this item is detailed on page 6 and in Appendix 1 of Attachment 1; in respect of the Newmarket Leisure Centre adjudication costs. This item has been carried forward from the 2011/12 statement of accounts audit and it was agreed by Members at Council on 26th September 2012 that this would remain as an unadjusted item for the 2011/12 statement of accounts for the reason set out below.
- FHDC incurred professional costs to determine the appropriate amount of expenditure for Newmarket Leisure Centre. In our view even though these are intangible in nature they continue to be proper capital costs. These adjudication costs would not have been incurred if the asset had not been acquired. They are not attributable to the delivery of services and they do not have the nature of a revenue cost. In our view they are wholly and properly attributable to the construction contract and to the development of the leisure centre.

## **2. Recommendations**

### 2.1 That the Committee **NOTES:**

- That the auditor intends to issue an unqualified opinion on the **Financial Statements** for 2012/13 (page 3 of Attachment 1); and
- that the auditor intends to issue a **VFM conclusion** stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in our use of resources (page 3 of Attachment 1).

### 2.2 That the Committee **APPROVES:**

- the Letter of Representation at Attachment 2, on behalf of the Council, before the Audit Director issues his opinion and conclusion.

## **3. How will the recommendations help us meet our strategic priorities?**

- 3.1 This report supports the strategic priority of working together for an efficient council.

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