

Forest Heath District Council

**PERFORMANCE AND
AUDIT SCRUTINY
COMMITTEE**

25 SEPTEMBER 2014

PAS14/047

(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 2013/14 ISA 260 ANNUAL GOVERNANCE REPORT TO THOSE CHARGED WITH GOVERNANCE

Summary and reasons for recommendation(s)

- 1.1 The attached report presents the results of Ernst and Young's audit of the financial statements for 2013/14 – their second year as the Council's appointed external auditor. It sets out 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.
- 1.2 This committee is charged with governance in accordance with powers delegated to it under the Council's Constitution.
- 1.3 The Council's unaudited 2013/14 statement of accounts, signed by the Council's Chief Financial Officer (Section 151 Officer) on 30 June 2014, 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.
- 1.4 There is one item that Officers have not adjusted and this item is detailed 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 of the Performance and Audit Scrutiny Committee 24th September 2013 that this would remain as an unadjusted item for the 2012/13 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.

Recommendation(s)

2.1 That the Committee **NOTES** that the:

- auditor intends to issue an unqualified opinion on the **Financial Statements** for 2013/14 (**page 3 of Attachment 1**); and
- 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.

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How will the recommendations help us meet our strategic priorities?

- 3 The work completed by external audit, as part of the statement of accounts audit, includes consideration by the Audit Director on whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.
- 4 This value for money conclusion takes into account whether the Authority has proper arrangements in place to secure financial resilience and for challenging how it secures economy, efficiency and effectiveness.

Attachments

Attachment 1 - Audit Results Report – ISA (UK & Ireland) 260

Attachment 2 - Letter of Representation