

ST EDMUNDSBURY BOROUGH COUNCIL

PERFORMANCE AND AUDIT SCRUTINY COMMITTEE

**Minutes of the meeting held on Wednesday 24 September 2014 at
4.30pm, in Conference Room West, West Suffolk House,
Western Way, Bury St Edmunds**

PRESENT: Councillor Mrs Broughton (Chairman)
Councillors Cox, Farmer, Nettleton and Redhead

BY INVITATION: Councillor Ray, Portfolio Holder for Resources and
Performance.

27. Apologies for Absence

Apologies for absence were received from Councillors Mrs Richardson,
Mrs Wade and Mrs Warby.

Councillors Mrs Hopfensperger and Simner were also unable to attend.

28. Substitutions

No substitutions were declared.

29. Minutes

The minutes of the meeting held on 31 July 2014, were confirmed as a
correct record and signed by the Chairman.

Councillor Cox wished it to be recorded that he voted against the
minutes being confirmed as a correct record.

30. Declarations of Interest

Members' declarations of interest are recorded under the item to which
the declaration relates.

**31. Ernst and Young – Presentation of 2013-2014 ISA 260 Annual
Governance Report to those Charged with Governance**

The Committee received Report F134 (previously circulated), which
presented the results of the Ernst and Young's (EY) audit of the financial
statements for 2013-2014 – its second year as the Council's appointed
external auditor. The report set out those issues they were formally required
to report on to those charged with governance, under the Audit Commission
Code of Audit Practice and International Standards on Auditing (UK and
Ireland) (ISA (UK&I)) 260. The report also included the results of the work
that EY had undertaken to assess the Council's arrangements to secure value
for money in the use of its resources, as the Performance and Audit Scrutiny
Committee was charged with governance in accordance with powers
delegated to it under the Council's Constitution.

A copy of the Audit Committee Summary was appended to Report
F134 as Attachment 1, and was presented to the Committee by Neil Harris
(External Audit Director) and Melanie Richardson (External Audit Manager)

from EY. Also attached as Attachment 2 to the report was a Letter of Representation, on behalf of the Council, in connection with the audit of the financial statement for St Edmundsbury Borough Council for the year ended 31 March 2014.

Mr Harris confirmed that all work on the audit of the Council's 2013-2014 financial statements had been completed and no further errors had been identified. Therefore, EY would be issuing an unqualified opinion and certificate by the deadline of 30 September 2014, on both the Council's 2013-2014 financial statements and arrangements in securing economy, efficiency and effectiveness in its use of resources. He wished to thank the Head of Resources and Performance and her team who had been helpful and instrumental in making this a very smooth audit for EY this year.

However, he wished to draw the Committee's attention to a couple of key areas:

- (1) On page 5 of Attachment 1, of Report F134, Mr Harris confirmed that he was satisfied with all the assurances provided relating to the audit risks identified within the Council's Audit Plan. In particular in relation to the localised business rates and collection fund and the provision of business rate appeals.
- (2) On page 7 of Attachment 1, the reclassification of one amendment which was considered significant in value only, related to £4.5m from cash and cash equivalents to short-term investments – presentational change only.
- (3) On page 8 of Attachment 1, no weaknesses had been identified relating to internal control.
- (4) On page 10 of Attachment 1, EY had noted that the Council had identified a cumulative budget gap of around £3.9m over the next four years and it was aware of the joint arrangements in place through shared services and other local efficiencies to respond to this financial challenge.
- (5) On page 11 of Attachment 1, EY had not concluded the final audit fee for 2013-2014. EY would be considering the impact of any extra audit work undertaken during the year and would discuss any proposed changes to the fee with the Chief Financial Officer (Head of Resources and Performance), before reporting back to the Performance and Audit Scrutiny Committee on any variations.

Members asked a number of questions in relation to the report, to which Mr Harris duly responded.

The Chairman, on behalf of the Committee wished to thank the Head of Resources and Performance and the Finance Team for their outstanding work and also wished to thank EY for their audit work.

With 4 votes for and 1 abstention (Councillor Cox), it was

RESOLVED: That:-

- (1) the unqualified opinion on the Financial Statements for 2013-2014 (page 3 of Attachment 1), issued by the Auditor be noted.
- (2) the Value for Money conclusion stating that the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources (page 3 of Attachment 1), issued by the Auditor be noted.
- (3) The Letter of Representation on behalf of the Council be approved, before the Audit Director issues his opinion and conclusion.

32. Local Code of Corporate Governance / Annual Governance Statement 2013-2014

The Committee received Report F135 (previously circulated), which:

- (a) presented a revised West Suffolk Local Code of Corporate Governance; and
- (b) sought Members approval of the Annual Governance Statement for 2013-2014.

(a) Local Code of Corporate Governance

The Local Code of Corporate Governance sets out the principles of how the Council ensures compliance with statutory requirements and best practice guidance on corporate governance. Whilst the adoption of a Local Code was not a statutory requirement it represents best practice and was a key element of a councils overarching governance arrangements and its commitment to good corporate governance. The Local Code of Corporate Governance was subject to annual review to ensure it remained up to date. Minor adjustments had been made to the document, attached as Appendix A to Report F135, which now reflected a joint West Suffolk Local Code of Corporate Governance between St Edmundsbury Borough Council and Forest Heath District Council.

The Committee discussed the West Suffolk Local Code of Corporate Governance and asked questions to which officers duly responded.

With 4 votes for and 1 abstention (Councillor Cox), it was



RECOMMENDED:-

That subject to the approval of full Council, the West Suffolk Local Code of Corporate Governance, attached as Appendix A to Report F135 be adopted.

(b) Annual Governance Statement 2013-2014

Attached as Appendix B to Report F135 was the Annual Governance Statement, which provided stakeholders of the Council with assurance that the

Council had operated within the law and that the Council had met the requirements of the Accounts and Audit Regulations 2011. This year the document was presented as a joint statement for St Edmundsbury Borough Council and Forest Heath District Council to reflect both councils working together and sharing services across West Suffolk.

The Legal Services Manager wished to draw the Committee's attention to page 13 of Appendix B, paragraph 10.3, which highlighted a small number of areas where improvements could be made. These were included in the Council's Corporate Project Plan and would be subject to management and member scrutiny as appropriate.

The Committee was asked to review and approve the Annual Governance Statement prior to it being signed off by the Chief Executive and the Leader of the Council.

The Committee discussed the Annual Governance Statement for 2013-2014 and asked questions to which officers duly responded.

With 4 votes for and 1 abstention (Councillor Cox), it was

RESOLVED:

That the Annual Governance Statement for 2013-2014, attached as Appendix B to Report F135, be approved for signing by the Chief Executive and the Leader of the Council.

33. 2013-2014 Annual Statement of Accounts

The Committee received Report F136 (previously circulated), which sought Members approval of the 2013-2014 Statement of Accounts, attached as Appendix 1, in accordance with the powers delegated to it under the Council's Constitution. Also attached at Appendix 2, was a detailed schedule of payments made to Councillors during the financial year 2013-2014.

EY had commenced the audit of the Council's draft Statement of Accounts in July 2014, with a view to its completion prior to the 30 September 2014 deadline for publication. The results of EY's review of the accounts were provided in the Annual Governance Report, which was included on the Committee's Agenda (F135 above). The attached Statement of Accounts (Appendix 1) had been amended (as appropriate) to take on board issues raised by the audit process up to the date of distribution. Only minor presentational changes were now required prior to the signing of the accounts.

EY had confirmed that the audit for St Edmundsbury Borough Council had been concluded this evening (24 September 2014) and had issued an unqualified opinion on the financial statements and the value for money conclusion that the Council had made the appropriate arrangements to secure economy, efficiency and effectiveness in the Council's use of resources. This meant the Committee was now in a position to sign the 2013-2014 Statement of Accounts off this evening (24 September 2014).

The Head of Resources and Performance was pleased to confirm that the Council's net expenditure for 2013-2014 was £11.832m, resulting in a

budget underspend for the year of £0.203m. She then drew the Committee's attention to the new style and layout of the Statement of Accounts and welcomed Member's comments.

The Head of Resources and Performance wished to thank the Finance Team for all their work involved in pulling the accounts together using a new financial management system and also thanked EY.

The Committee scrutinised the draft accounts and member payments and asked questions of officers who duly responded. In particular, the Committee raised questions to which responses were given or a written response would be provided:

Member Payments

- (i) Members questioned the basic Cabinet member allowance and special responsibility allowance as they were not the all same. Members noted that all members had the opportunity to either accept or reject the 1% pay increase recommended by the Independent Remuneration Panel and questioned whether this had an impact. The Head of Resource and Performance agreed to provide a written response.
- (ii) Members questioned whether members could still opt to accept the 1% pay increase and if so, how would this effect member allowances. The Head of Resources and Performance agreed to provide a written response on whether the right had lapsed to take the pay increase.
- (iii) Councillors Farmer and Nettleton suggested that the expenses column should be split into two, to indicate mileage/travelling and other expenses. Officers agreed to look into splitting the expenses and would consult with both Councillors Farmer and Nettleton on the layout, before it went onto the website.
- (iv) National Insurance and Pension contributions – Members questioned whether there was a pension scheme for members. The Head of Resources and Performance agreed to provide a written response.

Statement of Accounts

- (i) Page 129, Officers Remuneration – Members questioned the remuneration paid to senior employees, which also included pension contributions. The Head of Resources and Performance explained that this was a statutory note contained within the Statement of Accounts, but agreed to look at providing in future an allowance subtotal before including the pension amount.

The Committee wished to convey its thanks and commended the Finance Team in the work involved in closing the accounts.

With 4 votes for and 1 abstention (Councillor Cox), it was

RESOLVED: That:-

- (1) The 2013-2014 Statement of Accounts, attached as Appendix 1 to Report F136, be approved in accordance with the powers delegated to it under the Council's Constitution.

- (2) The Chairman of the Performance and Audit Scrutiny Committee signs the certification of the 2013-2014 Statement of Accounts on behalf of the Committee.
- (3) The Chief Financial Officer, in consultation with the Portfolio Holder for Resources, Governance and Performance, be given delegated authority to make any presentational and non-material changes to the Statement of Accounts that may be required up to the date of publication.

34. Work Programme Update

The Committee received Report F137 (previously circulated), which provided information on the current status of the Committee's Work Programme. Attached as Appendix 1 to the report were details of items scheduled to be presented to the Committee during 2014-2015.

The Committee discussed the work programme and asked questions to which officers duly responded. There being no decision required, the Committee **noted** the contents of the report.

The meeting concluded at 5.27pm.

**MRS S O BROUGHTON
CHAIRMAN**