

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 21 September 2017** at **6.00 pm** at the **Council Chamber, District Offices**, College Heath Road, Mildenhall IP28 7EY

Present: **Councillors**

Chairman Louis Busuttil

Chris Barker
Michael Anderson
John Bloodworth

Christine Mason
Peter Ridgwell

By Invitation:

Stephen Edwards, Portfolio Holder for Resources and Performance

165. **Substitutes**

There were no substitutes declared.

166. **Apologies for Absence**

Apologies for absence were received from Councillors Rona Burt and Simon Cole.

Councillors Andrew Appleby and Colin Noble were also unable to attend.

167. **Minutes**

The minutes of the meeting held on 27 July 2017 were unanimously accepted by the Committee as an accurate record and signed by the Chairman.

168. **Public Participation**

There were no questions/statements from members of the public.

169. **Ernst and Young - 2016-2017 ISA 260 Annual Results Report to those Charged with Governance**

The Committee received Report No: PAS/FH/17/024, which presented the results of Ernst and Young's (EY) audit of the financial statements for 2016-2017.

The report set out those issues they were formally required to report on to those charged with governance.

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.

The Council's unaudited 2016-2017 statement of accounts, signed by the Council's Chief Finance Officer (Section 151 Officer) on 30 June 2017, had been updated to reflect adjustments recommended by EY from their audit work. Members were advised that the adjustments were all immaterial to the overall financial position of the Council and were in most cases merely presentational changes.

There had been one unadjusted item that had been highlighted in the Annual Results Report relating to the retention of monies held as a result of the acquisition of Greenheath Energy Limited. The sum of £75,000 was immaterial to the overall financial position of the Council and had been corrected in the current financial year 2017-2018.

A copy of the Audit Committee summary was attached at Appendix A, and were presented to the Committee by Mark Hodgson (Executive Director) and Mark Russell (Assistant Manager) from EY. Also attached as Appendix B to the report was a Letter of Representation, on behalf of the Council in accordance with the audit of the financial statement for Forest Heath District Council for the year ended 31 March 2017.

Mr Hodgson confirmed that all work on the audit of the Councils 2016-2017 financial statements had been concluded and no further errors had been identified. Therefore, EY would be issuing an unqualified opinion on the Financial Statements for 2016-2017 this evening (21 September 2017) prior to the statutory deadline of 30 September 2017 stating the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources. He wished to thank the Assistant Director (Resources and Performance) and her team who had been helpful and instrumental in making this a very smooth audit for EY.

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

- 1) It had been a good audit with few issues;
- 2) On page 5: EY would be working towards a £0.702m materiality;
- 3) On pages 12 – 13: One significant issue had been identified relating to the acquisition of the Solar Farm. It had been agreed that the £75,000 unadjusted error would not be adjusted and had been included in the letter of representation attached at Appendix B to the report.
- 4) Audit Issues: there had been no other unadjusted errors to report.
- 5) Only the standard representations had been requested, which included one specific minor exemption for Greenheath Energy Limited.
- 6) Section 5 (Value for Money): One significant VFM risk related to the purchase of Greenheath Energy Limited. However, EY had gained

comfort from the acquisition and the that the Council had taken appropriate advice at all stages.

- 7) Audit Fee: Additional audit costs had been incurred in respect of audit assurance work on the purchase of Greenheath Energy Limited, which had been agreed with the Assistant Director (Resources and Performance).

Following the presentation discussions were held on Solar Farm and it was noted the Council's project value of £14.15m sat within a reasonable range (£14.02 to £15.28m).

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

The Portfolio Holder for Resources and Performance also wished to thank EY and the finance team for their outstanding work.

Councillor Chris Barker moved the recommendation, this was duly seconded by Councillor Christine Mason and with the vote being unanimous, it was:

RESOLVED: That

- 1) The unqualified opinion on the Financial Statements for 2016-2017 (as set out in the Audit Results Report – Appendix A), 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 (Appendix A) issued by the Auditor be noted.
- 3) The Letter of Representation on behalf of the Council (Appendix B) be approved before the Audit Director (EY) issues his opinion and conclusion.
- 4) The Chief Finance Officer, in consultation with the Chairman of the Performance and Audit Scrutiny Committee be given delegated authority to conclude the signing of the accounts.

170. **West Suffolk Local Code of Corporate Governance**

The Committee received Report No: PAS/FH/17/025, which informed members that following the re-issue of the CIPFA Guidance for local authorities, officers had developed a revised West Suffolk Local Code of Corporate Governance.

The West Suffolk Local Code of Corporate Governance was last produced jointly by Forest Heath District Council and St Edmundsbury Borough Council in 2013. Following the updating of the CIPFA/Solace guidance, it was time for both councils to review their Code to make sure it was still effective, transparent and relevant.

Attached at Appendix A to the report was the proposed draft West Suffolk Local Code of Corporate Governance.

The report sought views from the Performance and Audit Scrutiny Committee on the draft Code, before it was presented to Cabinet and to Council for approval.

The Committee considered the draft Code and did not identify any areas where it felt the document could be strengthened.

Councillor Michael Anderson moved the recommendation, this was duly seconded by Councillor Peter Ridgwell and with the vote being unanimous, it was:

RECOMMENDED:

That subject to the approval of Council the West Suffolk Local Code of Corporate Governance, attached as Appendix A to Report No: PAS/FH/17/025, be adopted.

171. West Suffolk Annual Governance Statement 2016-2017

The Committee received Report No: PAS/FH/17/026, which sought members approval of the draft Annual Governance Statement 2016-2017, attached as Appendix A.

The Annual Governance Statement provided stakeholders with the assurance that the Council had operated within the law and that they had met the requirements of the Accounts and Audit Regulations 2015. The Annual Governance Statement accompanied the Statement of Accounts.

The document had been prepared by an Officer Group and 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 Assistant Director (Resources and Performance) informed the Committee that the West Suffolk Annual Governance Statement was presented in the usual format. However, she wished to draw the Committee's attention to two key areas set out in Appendix A:

- 1) Page 15 (paragraph 4.2): there were no significant governance issues to disclose for 2016-2017; and
- 2) Page 15 (section 5): set out the focus for its governance arrangements for 2017-2018.

The Committee was asked to review and approve the draft Annual Governance Statement prior to it being signed by the Chief Executive and Leaders of the councils.

The Committee considered the draft West Suffolk Annual Governance Statement for 2016-2017 and did not raise any issues.

Councillor Christine Mason moved the recommendation, this was duly seconded by Councillor Chris Barker and with the vote being unanimous, it was

RESOLVED

That the West Suffolk Annual Governance Statement for 2016-2017, attached as Appendix A to Report No: PAS/FH/17/026 be approved for signing by the Chief Executive and the Leader of the Council.

172. 2016-2017 Annual Statement of Accounts

The Committee received Report No: PAS/FH/17/027 which sought members approval of the 2016-2017 Statement of Accounts, attached as Appendix A, in accordance with powers delegated to it under the Council's Constitution.

EY had commenced the audit of the Council's draft Statement of Accounts in August 2017, with a view to its completion prior to the 30 September 2017 deadline for publication. The results of EY's review of the accounts were provided in the Annual Results Report, which was included on the Committee's agenda (PAS/FH/17/024). The attached Statement of Accounts (Appendix A) had been amended as appropriate, to take on board issues raised by the audit process up to the date of distribution.

EY had confirmed that the audit of Forest Heath District Council had been concluded and he would be issuing 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 evening (21 September 2017). This meant the Committee was in a position to sign the 2016-2017 Statement of Accounts off.

The Assistant Director (Resources and Performance) informed the Committee that from April 2017 the Accounts and Audit Regulations had changed requiring the Council to submit draft accounts to its external auditors by 31 May each year, with member scrutiny and approval of the Accounts required once the audit had been concluded by 31 July each year. Therefore, this change will affect the 2017-2018 Statement of Accounts.

She then drew the Committee's attention to a couple of key areas set out in Appendix A:

- 1) There had been no change to the general fund budget since it was reported to the Committee on 27 July 2017.
- 2) Pages 4 and 5 – Material items: this related to the Home of Horseracing which had now been transferred to the National Horseracing Museum and the acquisition of Greenheath Energy Limited.

- 3) Page 16 – Balance Sheet: Long term liabilities related to pension liability.

Finally, she wished to thank the Finance Team for all their work involved in pulling the accounts together and also thanked EY.

The Committee scrutinised the draft accounts and did not raise any issues.

The Committee wished to convey its thanks and commended the Assistant Director (Resources and Performance) and her team in the work involved in closing the accounts.

Councillor John Bloodworth moved the recommendation, this was duly seconded by Councillor Peter Ridgwell and with the vote being unanimous, it was

RESOLVED: That

- 1) The 2016-2017 Statement of Accounts, attached as Appendix A to Report No: PAS/FH/17/027 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 2016-2017 Statement of Accounts on behalf of the Committee.
- 3) The Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Performance, be given delegated authority to make any presentational and non-material changes that may be required up to the date of publication.

173. **Annual Corporate Environmental Statement (2016-2017)**

The Committee received Report No: PAS/FH/17/028 which reported on the work which had been undertaken during 2016-2017 to improve the environmental performance in West Suffolk.

Attached at Appendix B to the report was the Annual Environmental Statement covering environmental performance in 2016-2017. This Statement covered the operations of both St Edmundsbury Borough Council and Forest Heath District Council and the Leisure Trusts in West Suffolk in respect of energy and water consumption and renewable energy generation.

Attached at Appendix A was a supporting dashboard.

Officers had started a review of key targets, in particular with respect to Greenhouse Gas emissions, in the light of wider discussion with other public sector partners. The outcome of the review and any recommended changes would form part of the future corporate planning process.

There were ongoing resource implications to deliver this work with environmental improvement generally delivering financial returns through

reduced resource use. These continue to be reviewed and considered in the light of the Council's Medium Term Financial Strategy.

The Committee considered the Environmental Statement and had no issues to raise. However, members noted the good news story that the Council was now "carbon neutral".

There being no decision required, the Committee **noted** the report.

174. Work Programme Update

The Committee received Report No: PAS/FH/17/029, 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 2017-2018.

The Assistant Director (Resources and Performance) informed the Committee of minor changes to its work programme in that EY would now be presenting the "Annual Certification Report 2016-2017" and the "External Audit Plan and Fees 2017-2018 and 2018-2019 Indicative Fees" to the Committee's January 2018 meeting instead of May 2018.

The Committee considered its work programme, and there being no decision required, **noted** the contents of the report.

The Meeting concluded at 6.26 pm

Signed by:

Chairman
