

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 30 March 2023** at **5.00 pm** in the **Conference Room, Mildenhall Hub**, Sheldrick Way, Mildenhall, IP28 7JX

Present

Councillors

Chair Ian Houlder

Vice Chair Karen Richardson

Nick Clarke

James Lay

Victor Lukaniuk

Robert Nobbs

Andy Neal

Cliff Waterman

Phil Wittam

Substitutes attending for a full member

Marion Rushbrook

In attendance

Sarah Broughton, Cabinet Member for Resources and Property

Mark Russell, Ernst and Young (External Auditors)

170. **Substitutes**

The following substitution was declared:

Councillor Marion Rushbrook substituting for Councillor John Augustine.

171. **Apologies for absence**

Apologies for absence were received from Councillors John Augustine and Peter Thompson.

172. **Declarations of interest**

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

173. **Public participation**

There were no members of the public in attendance on this occasion.

174. Ernst and Young - 2021 to 2022 Annual Results Report to those Charged with Governance

The Committee received Report number PAS/WS/23/004, which presented the results from Ernst and Young's (EY) audit of the 2021 to 2022 financial statements for West Suffolk Council. The report set out issues they were required to report on to those charged with governance. EY were also required to report on the results of the work undertaken to assess the council's arrangements to secure value for money (VM) in the use of resources.

The council's unaudited 2021 to 2022 Statement of Accounts, signed by the Chief Finance Officer (Section 151 Officer) on 28 June 2022, had been updated to reflect any adjustments recommended by EY over this period as a result of their audit work. Members were informed that these adjustments did not affect the council's overall financial position and were in most cases merely presentational changes.

At the time of writing the report, it was not anticipated that there would be any significant issues with the accounts, but there were still a number of audit procedures to be concluded.

A copy of the Audit Results Report dated March 2023 was attached at Appendix A. An updated Addendum to Appendix A dated 28 March 2023 was presented to the Committee by Mark Russell (EY Partner).

Attached at Appendix B to the report was West Suffolk Council's Letter of Representation, on behalf of the Council in accordance with the audit of the financial statements for West Suffolk Council for the year ended 31 March 2022.

Mark Russell presented the report and referred the Committee to the Addendum A (28 March 2023 – pages 1 to 16) and updated members on further progress made in the audit process as follows:

- Page 5:
 - Management Override – Audit procedures substantially completed with no issues found to date.
 - Revenue expenditure – Audit procedures substantially completed.
- Page 6:
 - Valuation of the Mildenhall Hub – It had been determined the valuation of the Hub fell within a reasonable range and no issues raised.
 - Valuation of Solar Farm – Work would be concluded by 31 March 2023. There were no findings from the audit procedure to date.
 - Infrastructure assets – Work had concluded. The Council had followed the CIPFA Code and had not applied the statutory instrument concerning infrastructure assets.

- Other valuations - Audit procures were substantially completed. Currently working through the final responses to EY's audit queries concerning asset valuations.
- Page 7:
 - Group account consolidation – EY had not received a response to date on group instructions issued to the auditor for Barley Homes Ltd
 - Pensions liability valuations – A £2.1m difference had been identified due to the timing of the IAS19 report and the recent triannual valuation which included the pension position as at 31 March 2022. EY were awaiting an updated IAS19 report to assess the impact on the council's pension liability.
- Page 8:
 - Two misstatements had been identified during the course of the audit, which had been corrected. EY advised these had no overall impact on the council's total unusable reserves.
- Page 10:
 - Value for Money – Completed with no matters to report.
- Page 11:
 - Appendix A (status of the audit) - Significant progress had been made with the audit process since the beginning of March 2023

The Committee scrutinised the report and asked questions to which Mark Russell provided comprehensive responses. In particular discussions were held on the pension liability valuation and the £2.1m difference, identifying fraud, the valuation of the solar farm; the number of man hours taken to carry out an audit compared to previous years.

The Committee was deeply frustrated and disappointed in the delay in the audit process, considering the Chief Finance Officer had signed the unaudited accounts on 28 June 2022 and EY were now auditing those accounts. Members needed assurances about delegating to the Chief Finance Officer and the Chair of the Committee in signing off the accounts once the audit was fully completed.

Some members of the Committee also felt the EY audit process was rushed in only taking two months on the audit and was expected to approve the accounts and delegated authority when the audit was only 70 percent completed.

In response Mark Russell explained that work on the auditing the accounts started in early February 2023, with 70 per cent of the audit work now completed. He explained that the position of audit in the public was not in a good position. All audit firms were struggling. The number of man hours had increased by 60 per cent. He further explained that EY did not sacrifice its audits and did not rush to complete them. West Suffolk was in a better position than other councils with their audits.

In response to a question raised on what the consequences were if the Committee deferred the report until the audit was completed, the Chief Finance Officer advised that there were no consequences from the government's perspective. If the report was deferred, it would have to come back to a future meeting of the Committee to be signed off.

The Chief Finance Officer explained that in previous years the Committee would typically meet in September with the audit being substantially completed. What the Committee was being asked to approve this evening was therefore not out of sync from previous years. She reassured the Committee that the report would not have been brought to the Committee if she was not confident in what had been completed and being presented this evening. If the delegation was approved, the Chief Finance Officer reassured the Committee that she would not sign the accounts unless she and the Chair were comfortable with the final outcome of the audit.

EY had reviewed the accounts prior to February 2023. EY reassured members of the committee that the quality of the audit was not compromised. Therefore, the integrity of the audit should not be an issue for the Committee. However, the Chief Finance officer did share in the Committees views in its frustration around the timing of the audit.

After hearing from EY Councillor Nick Clarke stated he felt the audit was reassuring and he had no problem in delegating final sign off to the Chief Financial Officer and Chair of Performance and Audit Committee. However, he wanted an assurance from EY about their output and timing of the audit and that EY needed to be held formally to account and suggested an additional recommendation highlighting the Committee's frustration to the Public Sector Audits Appointments (PSAA) on the lateness of the EY Audit.

At the conclusion of the debate, the Committee:

- 1) **Noted** that the work in respect of the audit opinion on the financial statements of West Suffolk Council for 2021 to 2022 were ongoing.
- 2) **Noted** that the external auditors had no matters to report on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources issued by the Auditor (Appendix A and Addendum).

The Committee then voted on the recommendations in turn, as follows:

Councillor Marion Rushbrook moved the recommendation, this was duly seconded by Councillor Robert Nobbs, and with the vote being 5 for, 4 against and 1 abstention, it was:

RESOLVED:

That the Letter of Representation on behalf of West Suffolk Council (Appendix B) attached to Report number PAS/WS/23/004, be **approved**, before the Ernst and Young Partner issues his opinion and conclusion.

Councillor Marion Rushbrook moved the recommendation, this was duly seconded by Councillor Nick Clarke, and with the vote being 6 for, 4 against, it was:

RESOLVED:

That the Chief Finance Officer, in consultation with the Chair of the Performance and Audit Scrutiny Committee be given **delegated authority** to conclude the signing of the 2021 to 2022 accounts.

Councillor Nick Clarke moved the recommendation, this was duly seconded by Councillor James Lay, and with the vote being unanimous, it was:

RECOMMENDED:

That Council be instructed to highlight to the Public Sector Audits Appointments (PSAA) the frustration and disappointment of the lateness of the Ernst and Young (EY) Audit for 2021 to 2022, and to seek assurance from EY on the timing of future audits.

175. West Suffolk Annual Governance Statement 2021 to 2022

The Committee received Report number PAS/WS/23/005, which sought members approval of the draft West Suffolk Annual Governance Statement for 2021 to 2022, attached at Appendix A.

The Annual Governance Statement provided stakeholders with 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 draft Annual Governance Statement had been prepared by the Officer Governance Group.

The Director (Resources and Property) drew members attention to section 6 of Appendix A and advised that there were no other significant governance issues to disclose.

The Committee considered the draft West Suffolk Annual Governance Statement for 2020 to 2021 and did not raise any governance issues.

Councillor Cliff Waterman then moved the recommendation, this was duly seconded by Councillor Robert Nobbs, and with the vote being unanimous, it was:

RESOLVED

That the draft West Suffolk Annual Governance Statement 2021 to 2022, attached as Appendix A to Report number PAS/WS/23/005 be approved for signing by the Leader of the Council and the Chief Executive.

176. **2021 to 2022 Statement of Accounts**

The Committee received Report number PAS/WS/23/006, which sought members approval of the 2021 to 2022 Statement of Accounts for West Suffolk Council (Appendix A), in accordance with powers delegated to it under the Council's constitution.

It was reported that the statutory requirements for the report and approval of the Council's annual financial statements were set out in the Accounts and Audit Regulations 2015. The regulations require the council to submit draft accounts to its external auditors, currently Ernst and Young (EY) 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. Due to Covid-19 and in response to a consultation exercise carried out by it, the government had issued regulations – the Accounts and Audit (Amendment) Regulations 2021, to amend these deadlines in relation to the 2020 to 2021 and 2021 to 2022 accounts. The revised dates were 1 August for the draft accounts and 30 November for final approval and publication.

Due to the planned phased approach to delivering the 2021 to 2022 audits across Suffolk, the external audit of the draft accounts for West Suffolk did not begin until mid-February 2023 and it was therefore not possible to complete the audit and publish the accounts by the end of November 2022 in line with the regulations. This situation was allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

The outcome of EY's review of the accounts was provided in the Annual Results Report, which were included on the Committee's agenda (PAS/WS/23/004 – Appendix A and the Updated Addendum), along with a verbal update by EY giving their current position as of this evening (30 March 2023).

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.

The covering report summarised financial highlights in 2021 to 2022; revenue expenditure; capital expenditure; usable reserves; pension fund; annual governance statement and payments to councillors.

The Director (Resources and Property) wished to thank the council's finance team for its work in pulling the 2021 to 2022 accounts together, as it had been a challenging time in completing this audit alongside finalising the council's budget for 2023 to 2024 and closing down the 2022 to 2023 statement of accounts at the same time.

The Director (Resources and Property) then drew the Committee's attention to the balance sheet and explained that overall, the long-term assets of West Suffolk.

The Committee scrutinised the draft accounts and asked questions to which responses were provided.

In response to a question raised asking Brandon Country Park was not included in the list of venues on page 132 of the Statement of Accounts, officers advised that Brandon Country Park was owned by West Suffolk Council and was therefore not classed as an external/outside body.

In response to a question raised on how Brandon Country Park was performing financially, officers agreed to provide a written response.

At the conclusion of the discussions, the Committee voted on the recommendations in turn, as follows:

Councillor Nick Clarke moved the first recommendation, this was duly seconded by Councillor Marion Rushbrook, and with the vote being unanimous, it was:

RESOLVED:

That the Committee approves the 2021 to 2022 Statement of Accounts for West Suffolk Council (Appendix A) attached to Report number PAS/WS/23/006, in accordance with powers delegated to it under the council's constitution.

Councillor Karen Richardson moved the second recommendation, this was duly seconded by Councillor Marion Rushbrook, and with the vote being unanimous, it was:

RESOLVED:

That the Chair of the Performance and Audit Scrutiny Committee signs the certification of the 2021 to 2022 Statement of Accounts on behalf of the Committee.

Councillor Nick Clarke moved the third recommendation, this was duly seconded by Councillor James Lay, and with the vote being 6 for and 4 against, it was:

RESOLVED:

That the Chief Finance Officer, in consultation with the Cabinet Member for Resources and Property, be given delegated authority to make any changes that may be required up to the date of publication.

The meeting concluded at 6.40pm

Signed by:

Chair
