

Forest Heath District Council

MINUTES of the **PERFORMANCE AND AUDIT SCRUTINY COMMITTEE** held at the District Offices, College Heath Road, Mildenhall on Thursday, 25 September 2014 at 6.00pm.

PRESENT:

Councillors:

A J Wheble (Vice-Chairman)
C J Barker
D W Bimson

T J Huggan
M J Jefferys
J W McGhee

Also in attendance:

C Brain, Scrutiny Officer
L Cornish, Business Partner (Finance and Performance)
P Gudde, Environment Manager
R Mann, Head of Resources and Performance
J Snares, Internal Audit Manager
J White, Business Partner (Finance and Performance)

N Harris, (External Audit Director – Ernst and Young)
M Richardson, (External Audit Manager – Ernst and Young)
M Springer, (Executive – Ernst and Young)

APOLOGIES

Apologies for absence were received from Councillors M J Anderson, J M Bloodworth, G Jaggard and C Noble.

SUBSTITUTES

There were no substitutes at the meeting.

141. **PUBLIC PARTICIPATION**

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

142. **CONFIRMATION OF MINUTES**

The minutes of the meeting held on 31 July 2014, were accepted by the Committee as an accurate record and signed by the Chairman.

143. **ERNST AND YOUNG PRESENTATION OF 2013-2014 ISA 260 ANNUAL GOVERNANCE REPORT TO THOSE CHARGED WITH GOVERNANCE (REPORT NO: PAS14/047)**

The Committee received Report No: PAS14/047, which presented the results of Ernst and Young's (EY) audit of the financial statements for 2013-2014 – their second year as the Council's appointed external auditor. The report set out those issues which were formally required to be reported to those charged with governance under the Audit Commission Code of Audit Practice and International Standards on Auditing (UK and Ireland) (ISA (UK and I)) 260. The report also included the result 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 attached as Attachment 1 and was presented to the Committee by Neil Harris (External Audit Director) from EY.

The Council's unaudited 2013-2014 statement of accounts, signed by the Council's Chief Financial Officer (Section 151 Officer) on 30 June 2014 had been updated to reflect adjustments recommended by External Audit 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. However, one item had not been adjusted in respect of the Newmarket Leisure Centre adjudication costs. This item had been carried forward from the 2011-2012 statement of accounts audit and it had been agreed by Members at Council on 24 September 2013 that this would remain as an unadjusted item for the 2012-2013 statement of accounts.

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 Forest Heath District 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 smooth audit for EY this year.

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

- (1) On pages 5-6 of Attachment 1, of Report No: PAS14/047, Mr Harris confirmed that he was satisfied with all the assurances provided relating to the audit risks identified within the Council's Audit Plan. This included the introduction of the localisation of business rates and the business rates appeals system.
- (2) On page 7 of Attachment 1, the reclassification of one amendment which was considered significant in value only, related to £5.9m 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 controls.
- (4) On page 10 of Attachment 1, EY had noted that the Council had identified a cumulative budget gap of around £2.3m over the next four years which would need to be bridged through savings and efficiencies (shared services) or increased income.
- (5) On page 11 of Attachment 1, EY was not planning to revise the audit fee. However, if there was a case to vary the fee, this would be discussed with the Chief Finance Officer (Head of Resources and Performance) and a report would be presented to this Committee on any variations.
- (6) On page 13 of Appendix 1 of Attachment 1, the unadjusted audit error for Newmarket Leisure Centre relating to capital spend, which EY did not necessarily feel complied with the Accounting Standards.

Members asked a number of questions to which Mr Harris duly responded. In particular, discussions were held on the long-term effects of freezing council tax and how the identified budget gap of £2.3m could be bridged.

With the vote being unanimous, 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.

144. **WEST SUFFOLK LOCAL CODE OF CORPORATE GOVERNANCE / ANNUAL GOVERNANCE STATEMENT 2013-2014 (REPORT NO: PAS14/048)**

The Committee received Report No: PAS14/048, 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 No: PAS14/048, which now reflected a joint West Suffolk Local Code of Corporate Governance between St Edmundsbury Borough Council and Forest Heath District Council.

The Internal Audit Manager wished to draw the Committee's attention to page 1 of Appendix A, paragraph 3, which set out the six core principles of good governance.

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

With the vote being unanimous, it was

RECOMMENDED:

That Council be recommended to adopt the West Suffolk Local Code of Corporate Governance, attached as Appendix A to Report No: PAS14/048.

(b) Annual Governance Statement 2013-2014

Attached as Appendix B to Report No: PAS14/048, 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 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 with the vote being unanimous, it was

RESOLVED:

That the Annual Governance Statement 2013-2014, attached as Appendix B to Report No: PAS14/048, be approved for signing by the Chief Executive and the Leader of the Council.

145. **2013-2014 STATEMENT OF ACCOUNTS (REPORT NO: PAS14/049)**

The Committee received Report No: PAS14/049, which sought Members approval of the 2013-2014 Statement of Accounts, attached as Appendix A, in accordance with the powers delegated to it under the Council's Constitution. 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 (PAS14/049 above). 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. Only minor presentational changes were now required prior to the signing of the accounts.

EY had confirmed that the audit for Forest Heath District Council had been concluded this evening (25 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 (25 September 2014).

The Head of Resources and Performance was pleased to confirm that the Council's net expenditure for 2013-2014 was £6.214m, resulting in a budget underspend for the year of £0.095m. 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 asked questions of Officers who duly responded. In particular, clarification was sought on precepts, set out on page 157, of the Statement of Accounts.

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

With the vote being unanimous, it was

RESOLVED:

That:-

- 1) The 2013-2014 Statement of Accounts, attached as Appendix A to Report PAS14/049, 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.

146. **ANNUAL CORPORATE ENVIRONMENTAL STATEMENT 2013-2014 (REPORT NO: PAS14/050)**

The Committee received Report No: PAS14/050, which provided a summary of the progress made during 2013-2014 to improve environmental performance. Following the creation of a joint Sustainability Strategy in 2013, Forest Heath District Council and St Edmundsbury Borough Council were working together to manage the effects that their activities had on the natural environment. A range of priority themes had been identified which the Councils wished to influence through their services at a local level and an action plan had been put in place to work towards achieving this. Attached as Annex 1 to Report No: PAS14/050 was the West Suffolk Environmental Statement 2013-2014.

The Committee scrutinised the West Suffolk Environmental Statement 2013-2014 and asked a number of questions, to which Officers duly responded.

In particular discussions were held on greenhouse gas emissions and how these were measured; whether energy efficiency was included as a standard when procuring new vehicles and business passenger mileage.

The Committee also suggested that it would be helpful to include comparable data with other local authorities. Officers agreed to look at the SPARSE group of neighbouring authorities for inclusion in future reports to the Committee.

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

147. **PERFORMANCE AND AUDIT SCRUTINY COMMITTEE WORK PROGRAMME UPDATE (REPORT NO: PAS14/051)**

The Committee received Report No: PAS14/051, 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.

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

The meeting closed at 6.44pm.