

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Ernst and Young Presentation of 2014/15 ISA 260 Annual Results Report to those charged with Governance	
Report No:	PAS/FH/15/022	
Report to and date/s:	Performance and Audit Scrutiny Committee	24 September 2015
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Head of Resources and Performance Tel: 01638 719245 Email: Rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present the results of Ernst and Young's audit of the financial statements for 2014/15.	

Recommendation:	It is <u>RECOMMENDED</u> that: <ol style="list-style-type: none"> (1) The Committee <u>notes</u> that the auditor intends to issue an unqualified opinion on the Financial Statements for 2014/15 (page 3 of Appendix A); (2) The Committee <u>notes</u> that the 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 Appendix A); and (3) The Committee <u>approves</u> the Letter of Representation at <u>Appendix B</u>, on behalf of the Council, before the Audit Director issues his opinion and conclusion.
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>
Consultation:	<ul style="list-style-type: none"> • Not applicable
Alternative option(s):	<ul style="list-style-type: none"> • Not applicable
Implications:	
<i>Are there any financial implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> • 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.
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> •
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> •
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> •
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> •
Risk/opportunity assessment:	<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
None		•	
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		None	
Documents attached:		Appendix A – Audit Results Report – ISA (UK & Ireland) 260 Appendix B – Letter of Representation	

1. Key issues and reasons for recommendation(s)

- 1.1 Ernst and Young (EY) are the Council's appointed external auditor. The attached report presents the results of their audit of the financial statements for 2014/15.
- 1.2 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 (ISA (UK & Ireland) 260). This committee is now charged with governance in accordance with powers delegated to it under the Council's Constitution.
- 1.3 The report also includes the result of the work that EY have undertaken to assess the Council's arrangements to secure value for money in the use of its resources.
- 1.4 The Council's unaudited 2014/15 statement of accounts, signed by the Council's Chief Financial Officer (Section 151 Officer) on 30 June 2015, have been updated to reflect adjustments recommended by EY 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, simply presentational changes.
- 1.5 There is one item that Officers have not adjusted, detailed in **Appendix A** of the attached audit report, 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 in that and subsequent years, that this would remain as an unadjusted item for the 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.