



Lewes District Council
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Audit Committee

Minutes of a meeting of the **Audit Committee** held in **Warren Room, Lewes House, 32 High Street, Lewes** on **27 June 2007** at **13:30** .

Present:

Councillors J M Harrison-Hicks (Chair), C P Bishop, M A Cutress, J F Daly, C S Lambert and K D Mayers

John Magness, Director of Finance and Community Services (Items 1-6)
Steve Jump, Financial Services Manager
Dave Cosham, Principal Accountant (Item 1-6)
Steve Osborne, Principal Accountant (Item 1-6)
David Heath, Head of Audit and Performance
David Feintuck, Committee Officer

Richard Smith, Audit Commission
Richard Bint, PKF Partner

Janine Combrinck, PKF Audit Manager

	Minutes	Action
1	Minutes	

The Minutes of the meeting held on 19 March 2007 were approved as a correct record and signed by the Chair.

2 Apologies for Absence

Apologies had been received from Councillor C R O'Keeffe and from Mr Darren Wells, the District Auditor and Relationship Manager.

3 Urgent Item

The Chair agreed in accordance with Section 100B(4)(b) of the Local Government Act 1972 that revised pages to Report No 123/07, Statement of Accounts 2006/2007 would be considered as a matter of urgency in order for the Committee to make its considerations based on the most recent information that was available.

4 Annual Audit and Inspection Letter March 2007

The Committee considered Report No 121/07, the Audit Commission's Annual Audit and Inspection Letter for the Council. Mr Smith led councillors through the Report and drew attention to the positive Direction of Travel report regarding the Council's priorities and noted in particular the sustained improvement in the Housing Benefits service.

Within the Use of Resources element of the report, 63% of the Council's Performance Indicators (PIs) improved in 2005/06 and 34% of the Council's PIs are among the best of all district councils'. The Use of Resources assessment scores averaged 3/4 while the score of 4/4 for Internal Control reflected best practice for a second successive year. The Director of Finance and Community Services pointed out that assessment criteria were being made more difficult for the forthcoming year but the Council would nevertheless aim to repeat such a performance.

Resolved

4.1 That the Report be noted.

5 Annual Audit and Inspection Plan 2007/08

The Committee considered Report No 122/07, PKF and the Audit Commission's Audit and Inspection Plan for the

Council for 2007/08. Mr Bint led councillors through the Report and explained that while PKF would become the Council's main auditors, including producing the ISA 260 Report, the Audit Commission would produce the Audit and Inspection Letter for 2006/07 and remained responsible for inspection work between the Council and PKF.

In response to a councillor's question, Mr Bint stated that with regard to the risk assessment on the Council's financial commitment to the Newhaven Enterprise Gateway, the auditors would monitor the Council's risk mitigation.

Resolved

5.1 That the Report be noted.

6

Statement of Accounts 2006/07

The Committee considered Report No 123/07, the Statement of Accounts for 2006/2007. The Financial Services Manager had previously led a session for Committee councillors on the structure and content of the Statement. The Financial Services Manager led councillors through the Report.

In response to councillors' questions the following points were made:

- New accounting policies and the subsequent layout of the Statement was regulated by Government guidance which had been enhanced in the last year
- The reduction in the level of investments (page 21 of the Statement) would reduce further in the future as loan repayments were made
- Reserves for Partnerships Projects (paragraphs 28-31 of Appendix 2) were considered adequate
- Surplus on the Housing Revenue Account could under no circumstances be used to supplement the Housing Benefits General Fund. The Director pointed out

that while the Council's Housing Benefits PIs were now amongst the best county-wide, officers continued to consider best practice elsewhere, including possible joint working in the future. Fraud Benefit Subsidy would further sustain improvements.

- Newhaven Enterprise Gateway was 100% SEEDA grant-funded and as such caused no immediate financial concerns

- With regard to Loan Premiums and Discounts (page 14 of the Statement), following a loan restructuring exercise two years ago, premiums were being accounted for over 10 years or the life of the loan, whichever was shorter

- The staff pension fund deficit had been reduced by £4 million and the proposed new banded employee contribution rates should lead to less fluctuation in the future

- Wave Leisure had satisfied its first year's Delivery Plan which would be presented to Cabinet next month. It represented a low risk to the Council and provided value for money for ratepayers. Fiscal savings had been invested in leisure centre refurbishment and new services.

The Committee thanked the Director of Finance and Community Services, the Financial Services Manager and their staff for the quantity and quality of their work in the presenting the final statements of accounts.

Resolved:

6.1 That the allocated reserves as set out in Appendix 2 be agreed;

6.2 That the Statement on Internal Control, to be signed by the Leader of the Council, the Chief Executive and Director of Finance and Community Services in accordance with regulations, be approved;

6.3 That the Statement of Accounts for 2006/2007 be approved, subject to audit; and

6.4 That it be agreed that the Chair should sign the accounts in accordance with regulations.

The Committee considered Report No 124/07 which informed councillors of the adequacy and effectiveness of the Council's systems of internal control for 2006/07. The Head of Audit and Performance led councillors through the Report and pointed out that the content of the Report fed into the Statement of Internal Control which had been signed off within the Statement of Accounts.

The Head of Audit and Performance drew particular attention to the statement of the Section 151 and Monitoring Officers that there were no significant control issues (paragraph 6.2 of the Report). There were some significant changes in the revised Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Corporate Governance Guidance which included the changing of the Statement of Internal Control to the Annual Governance Statement.

In response to a councillor's questions, the Head of Audit and Performance explained that quality standards such as Investors in People formed sub-elements of assurance.

Resolved:

7.1 That it be noted that the overall standards of internal control (paragraph 3 of the Report) were satisfactory during 2006/2007;

7.2 That the satisfactory opinion on internal control, taken forward into the Council's Statement on Internal Control for 2006/2007 and presented as part of the Statement of Accounts 2006/07, be noted;

7.3 That the Head of Audit and Performance report to the Cabinet on the Council's internal control systems; and

7.4 That the remainder of the Report be noted.

8

Annual Report on Internal Audit Performance and Effectiveness 2006/07

The Committee considered Report No 125/07 which informed the Committee of the Internal Audit work of the Audit and Performance Division and the outcome of the review of the effectiveness of Internal Audit for 2006/07. The Head of Audit and Performance led councillors through the Report and explained that changes

in the CIPFA Code of Practice and the Accounts and Audit Regulations had necessitated the Report being separated from the Systems of Internal Control Report. Paragraph 4 of the Report detailed the work undertaken by Internal Audit, including work with the Council's EMAS Auditors Lloyds Register, and that there had been no reported cases of suspected or detected fraud in 2006/07 (paragraphs 4.11 and 4.12 respectively of the Report).

Resolved

8.1 That it be noted that the extent and detail of Internal Audit work in 2006/07 has been sufficient to enable the Head of Audit and Performance to issue an unqualified opinion on the overall adequacy and effectiveness of the Council's control environment (section 3.1 of the Report); and

8.2

That the satisfactory outcome of the review of the effectiveness of Internal Audit for 2006/07 (section 3.2 of the Report) be noted.

9

Interim Report on the Council's Systems of Internal Control 2007/08

The Committee considered Report No 126/07 which informed the Committee of the Internal Audit work of the Audit and Performance Division and the adequacy and effectiveness of the Council's systems of internal control during the first two months of 2007/08. The Head of Audit and Performance led councillors through the Report and explained that due to the requirements of the CIPFA Code of Practice, the Report was presented to each Audit Committee meeting. He explained the type of work undertaken in respect of the National Fraud Initiative (paragraph 4.11 of the Report).

In response to a councillor's question, The Head of Audit and Performance noted that although more volunteers for Emergency Planning from within Council staff were always desirable this would not prevent the Plan being implemented in an emergency.

Resolved

9.1 That it be noted that the overall standards of internal

control (section 3 of the Report) were satisfactory during the first two months of 2007/08.

10 Councillors' Training Requirements

Councillors considered Report No 127/07 which allowed the meeting to identify any training needs for the coming year. The Head of Audit and Performance had circulated all councillors new to the Committee with a Training Needs Analysis questionnaire.

Resolved:

10.1 That the Head of Audit and Performance be requested to arrange suitable training sessions as necessary to precede Audit Committee meetings.

11 Date of Next Meeting

A meeting was scheduled for Monday, 10 September 2007 at 2.30pm in the Warren Room, Lewes House, Lewes, to be preceded at 1.30pm by a training session for Committee councillors to be organised by the Head of Audit and Performance.

The meeting ended at **17:00** .

J M Harrison-Hicksfalse1251false1253false1255true1257 Chair