

Monday 25 September 2006
at 6pm



Annual Accounts Committee

MEMBERSHIP:-

Councillor WILLIAMS (Chairman) Councillor MARSDEN (Deputy Chairman), Councillors HERBERT (substitute for Mrs Goodall), STANLEY and TUTT (substitute for Slater).

Apologies for absence were reported from Councillor Mrs Goodall and Councillor Slater.

10 Minutes.

The minutes of the meetings held on 10 July 2006 were submitted and approved and the Chairman was authorised to sign them as a correct record.

11 Declarations of Interest.

Councillor Herbert declared a personal interest as a non-Executive Director of Eastbourne Buses and remained in the room but did not take part in discussions relating to Eastbourne Buses. Councillor Tutt declared a personal interest as a Trustee of the East Sussex Pension Fund and remained in the room but did not take part in discussions relating to the Pension Fund.

12 Audit Commission Annual Governance Report.

The Committee considered the report of the Audit Commission regarding the Annual Governance report.

Members were advised that the annual governance report prepared by the District Auditor summarised the results of the 2005/06 audit of Eastbourne Borough Council's financial statements. It included the issues arising from the audit of the financial statements and those issues which were formally required to report under International Standard of Auditing (UK and Ireland)(ISA(UK&I)) 260 -"communication of audit matters with those charged with governance".

It also included the results of the work undertaken in forming the conclusion on the Council's use of resources under the Audit Commission's statutory Code of Audit Practice for Local Government. The Council had designated its Annual Accounts Committee to fulfil the role of those charged with governance.

Members noted the principal purposes of the report were:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Annual Accounts Committee;
- To share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
- To provide the Annual Accounts Committee with recommendations for improvement arising from the audit process.

In undertaking the audit, the Auditors complied with the statutory requirements of the Audit Commission Act 1998 and the Code. The Auditors' responsibilities were to review and report on, to the extent required by the relevant legislation and the requirements of the Code; the Council's financial statements; and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of responsibilities and audit approach was included in Appendix 1. The results of our inspection work, and separate grant claims certification programme, would be reported in the Relationship Manager Letter later in March 2007.

Areas for improvement included data quality, internal control procedures and risk management. Members felt that there were many areas for concern and that the action plans should be reviewed carefully to ensure robustness and to make sure weaknesses could be addressed. Members noted that there was no evidence that there had been any loss to the public purse however; Members needed to ensure that the improvements proposed would be effective.

The Chairman advised the Committee that an additional meeting would need to be held to 'sign off' the Accounts for 2005/06.

Simon Mathers and Darren Wells from the Audit Commission were in attendance to answer Members questions.

13 Audit Commission Annual Governance Report – Response and Improvement Plan.

The Committee considered the report of the Director of Financial Services responding to the Audit Commission Annual Governance report for the audit year 2005/2006. In addition, the Council's action plan addressing the recommendations made by the Audit Commission was appended for Members agreement.

Members noted that the audit of the 2005/2006 accounts had presented the Council, and indeed all other Councils, with a harder test than had been present previously. This is partly because of the accelerated timetable for the closure, presentation and approval of the accounts, and partly because of more stringent audit requirements introduced under International Standard of Auditing (ISA 260).

Members were advised that the Council was more self-aware of areas within its financial management where improvement needed to be made and standards raised. This self-awareness was one of the key drivers that lay behind the review of corporate management structures undertaken by the Chief Executive and agreed by Cabinet in March and April and implemented from May this year. A number of benefits were already in place from this review which were detailed within the report.

Members were advised that following discussions with Darren Wells and Simon Mathers of the Audit Commission to discuss in detail the findings and recommendations set out within their report, the Officers acknowledged all of the findings listed and accepted all of the recommendations made. They were soundly based and when addressed in full would evidence significant improvement by the Council.

The Director of Financial Services stated that the review and restructure of the accountancy team would greatly assist in addressing any shortcomings and would put in place greater clarity of roles and responsibilities and focus resources in a more concentrated manner than had existed previously.

Members considered the action plan appended to the report which demonstrated both the Council's commitment and activity towards addressing the Audit Commission's recommendations.

Members were aware from Audit Commission report that the two technical qualifications given within the external auditors opinion on the 2004/2005 accounts would have to continue for the 2005/2006 accounts. The detail of these qualifications was set out within the Audit Commission report and were discussed as part of the presentation of the report by the auditors. However, within the auditor's opinion on the 2005/2006 accounts there was also a qualified conclusion by exception on the Council's use of resources. Again, the detail of this was set out within the Audit Commission report.

The Director of Financial Services stated that it was the intention of the Council to seek to have those qualifications removed at the earliest opportunity, for the 2006/2007 statement of accounts.

The Audit Commission report identified practical and operational issues that the Council had been aware of and had started to address already.

Members discussed each of the actions contained within the Council's improvement action plan to ensure that each of the actions were achievable and sought assurances from officer's with regard to evidence that would be available.

The Chairman made reference to the Council's investment in the share capital of Eastbourne Buses Limited (EBL) and the poor financial performance of EBL in 2005-2006, given its current level of indebtedness, The Chairman stated this was largely due to pension liability, the increased costs of which would be distributed over a number of years. EBL had

responded to this by restructuring its existing debt, and had recently purchased 10 new buses.

Councillor Tutt requested further information regarding the method of calculating the Council's indebtedness and the changes for the 2004-05 accounting period from previous years.

Councillors agreed that the Committee should arrange additional meetings to discuss and monitor the actions contained within the implementation plan.

RESOLVED: (1) that the Director of Financial Services' responses to the findings and recommendations of the Audit Commission Annual governance report be noted.

(2) That the action plan appended to the report be agreed.

(3) That additional meetings of the Accounts Committee be held to monitor the achievement of actions contained within the implementation plan.

14 Statement of Accounts.

Members were advised that this document was not available at this time for discussion, and that an additional meeting would need to be held in order to finalise the accounts. Members agreed that an additional meeting should be held four weeks from the date of this meeting.

RESOLVED: That an additional meeting be arranged within four weeks of this meeting to agree the Statement of Accounts.

The meeting finished at 7.35 p.m.

**Councillor Williams
Chairman**