

Enquiries - please ask for Chris Punnett - email: chris@conservancy.co.uk

12th September 2008

ACCOUNTS AND AUDIT COMMITTEE

A meeting of the Conservancy's Accounts and Audit Committee will be held at **1.00 pm** on **Monday 22nd September 2008** in Committee Room no. 4 at **County Hall, Chichester**.

JOHN DAVIS

Manager & Harbour Master

AGENDA

- 1. Appointment of Chairman**
- 2. Apologies**
- 3. Declaration of Interests**

Members and officers are invited to make declarations of personal or prejudicial interests that they may have in relation to items on the agenda and are reminded to make declarations at any stage during the meeting if it then becomes apparent that this may be required when a particular item or issue is considered.

- 4. Minutes**

To approve the minutes of the meeting held on 30th June 2008 (attached).

- 5. Audit Commission: Annual Governance Report**

To consider the Audit Commission's Annual Governance Report for 2007/8 (attached).

- 6. Urgent Matters**

Items not on the agenda which the Chairman of the meeting agrees should be considered as a matter of urgency due to special circumstances.

Committee Members:

Chairman of the Conservancy:

Mrs Louise Goldsmith

Vice-Chairman of the Conservancy:

Mr Tim Knight

Chairman of the Advisory C'tee:

Mr Peter Taylor

CHICHESTER HARBOUR CONSERVANCY

ACCOUNTS AND AUDIT COMMITTEE

Minutes of the meeting of the Accounts and Audit Committee held on 30th June 2008 at County Hall, Chichester.

Present: Mr Gale (Chairman of the Conservancy) and Mr Taylor (Chairman of the Advisory Committee)

APPOINTMENT OF CHAIRMAN

1. Mr Gale was appointed Chairman for this inaugural meeting of the Committee.

APOLOGIES

2. Apologies were received from Mrs Goldsmith (Vice-Chairman of the Conservancy).

DECLARATION OF INTERESTS

3. There were no declarations of interest.

AUDIT COMMISSION: DRAFT AUDIT PLAN

4. The Committee considered a draft Audit Plan for the 2007/08 financial year submitted by the Audit Commission (copy attached to the signed minutes).
5. Mr Graham Liddell from the Audit Commission presented the draft Audit Plan, drawing attention to the respective responsibilities of the Conservancy and the Audit Commission in ensuring that the Conservancy's financial affairs are well regulated and that its accounts are a true record of income and expenditure over the review period.
6. The Committee welcomed the Audit Plan and noted that a full audit report would be submitted to the next meeting of the Committee.

FINAL ACCOUNTS

7. The Committee considered a report by the Treasurer and the Manager & Harbour Master on the Final Accounts for the 2007/08 financial year (copy attached to the signed minutes).
8. The report had been prepared for submission to both this Committee and the Conservancy, and had accordingly been scrutinised by the Advisory Committee prior to this meeting. That Committee had accepted the report as a true record of the Conservancy's financial affairs during 2007/08 and had recommended that the Conservancy (when it met on 9th July 2008) should agree the outturn position for the year ended 31st March 2008 shown in the report.

9. The Committee agreed that the Financial Report and Accounts for the year ended 31st March 2008 shown in Appendix 2 of the report were accurate and complete.
10. **Resolved** that the Financial Report and Accounts for the year ended 31st March 2008 shown in Appendix 2 of the report be approved for submission to the Audit Commission for audit, and signed by the Chairman.

NEXT MEETING

11. The Committee noted that its next meeting would need to be held in the week commencing 22nd September 2008. The exact date would be agreed with the members of the Committee in due course.

The meeting started at 4.30pm and ended at 4.38pm.

Chairman

Annual Governance Report

Chichester Harbour Conservancy

Audit 2007/08

Date

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before we issue our opinion, conclusion and certificate.
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

Key findings

- 3 We have substantially completed our audit of the accounts and the arrangements for value for money. We plan to issue:
 - an unqualified opinion on the financial statements; and
 - an unqualified conclusion on the Conservancy's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Next steps

- 4 We ask the Accounts and Audit Committee to:
 - consider the matters raised in the report before approving the financial statements; and
 - approve the representation letter on behalf of the Conservancy before we issue our opinion, conclusion and certificate.

Financial statements and Annual Governance Statement

- 5 The Conservancy’s financial statements and Annual Governance Statement are important means by which the Conservancy accounts for its stewardship of public funds. As Conservancy members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 6 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 7 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
 - our views about the Conservancy’s accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 8 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
The 2007 SORP introduces new accounting requirements for fixed assets and the associated reserves.	The Conservancy had processed most, but not all, of the changes required by the 2007 SoRP. Officers have agreed to amend the accounts to meet those changes that had not been addressed. These are relatively minor issues of presentation.
Changes to the Accounts and Audit Regulations now require the Conservancy to prepare an Annual Governance Statement rather than a Statement on Internal Control.	The Conservancy has met the requirement to prepare an Annual Governance Statement.

Financial statements and Annual Governance Statement

Draft representation letter

- 9 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:
- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
 - you have approved the financial statements;
 - you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
 - you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
 - you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
 - you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
 - you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Conservancy where relevant to the fair value measurements or disclosures;
 - you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
 - you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
 - cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.
- 10 Appendix 1 contains the draft of the letter of representation we seek from you.

Accounting policies and financial reporting

- 11 We considered the qualitative aspects of your financial reporting and have not identified any significant issues to raise with you.

Errors in the financial statements

We identified and reported to management a small number of corrections, presentational issues and typographical errors. Other than those of a trivial nature, management has agreed to correct all of these. The most significant amendments are set out in table 2, below.

Table 2 Significant amendments to the accounts

Area of accounts	Amount	Details
Provision	£15,000	The accounts presented for audit included a provision for replacing windows for the Harbour Office. This is to be changed to an earmarked reserve because the work had not been carried out at the year end.
Disclosure of capital commitments	£68,000	As at 31 March 2008, the Conservancy was committed to capital expenditure of £68,000 in respect of two projects. Officers have agreed to include this commitment as a disclosure note to the accounts.
Accounting for prior period adjustment	£59,000	The accounts include a prior period adjustment of £59,000. This relates to revaluations of property in 2004/05 which had not been fully processed in the 2004/05 financial statements. As a result, fixed assets were understated and a prior period adjustment made to increase the cost of fixed assets. We are satisfied that a prior period adjustment is appropriate but the correcting entry should have been to reduce accumulated depreciation, rather than to increase the cost of assets. This resulted in depreciation being understated by £2,000. Officers have agreed to amend the accounts.

The audit report

- 12 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 2 contains a copy of our draft report.

Material weaknesses in internal control

- 13 During the 2007/08, the Conservancy did not routinely reconcile its accounting ledger to the cash held by its bank. This was because the post of accountant was vacant in early 2007/08 which led to a backlog of work. The arrangements for carrying out bank reconciliations have now been streamlined and we understand that bank reconciliations are now being carried out and reviewed each month.

Financial statements and Annual Governance Statement

- 14 We have not identified any other weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
- 15 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

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Other matters

16 There are no other matters that auditing standards require me to report to you.

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Value for money

- 17 We are required to conclude whether the Conservancy put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against twelve criteria specified by the Commission.

We have assessed the arrangements of the Conservancy as adequate in all twelve areas and we therefore propose to issue an unqualified conclusion.

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Formal audit powers

18 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Conservancy's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Conservancy to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Conservancy.

We have not and do not propose to exercise these powers.

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Independence

- 19 The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 20 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 21 We communicate to you:
- any relationships between us and the Conservancy, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Conservancy

- 22 We have identified no relationships that might affect objectivity and independence.

Audit fees

- 23 We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 3 **Audit fees**

	Plan 2007/08	Actual 2007/08
Financial statements and Annual Governance Statement	£7,500	£7,500
Value for Money/use of resources	£1,000	£1,000
Total Audit Fees	£8,500	£8,500

- 24 The analysis above shows that we contained our audit fee within the totals you have already agreed.

Our arrangements to ensure independence and objectivity

- 25 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 4.

Table 4 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> • do not hold a financial interest in any of our audit clients; • may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and • may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> • the general requirement to carry out work independently and objectively; • safeguarding against potential conflicts of interest; • acceptance of additional (non-audit) work; • rotation of key staff; • other links with audited bodies; • secondments; • membership of audited bodies; • employment by audited bodies; • political activity; and • gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Independent auditor’s report to the Members of Chichester Harbour Conservancy

Opinion on the financial statements

I have audited the Conservancy accounting statements and related notes of Chichester Harbour Conservancy for the year ended 31 March 2008 under the Audit Commission Act 1998. The Conservancy accounting statements comprise the Conservancy Income and Expenditure Account, the Conservancy Statement of the Movement on the General Fund Balance, the Conservancy Balance Sheet, the Conservancy Statement of Total Recognised Gains and Losses, the Conservancy Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Chichester Harbour Conservancy in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Conservancy accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Conservancy and its income and expenditure for the year;

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Conservancy’s corporate governance procedures or its risk and control procedures.

I read other information published with the Conservancy accounting statements, and consider whether it is consistent with the audited Conservancy accounting statements. This other information comprises the Financial Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Conservancy accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Conservancy accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Conservancy in the preparation of the Conservancy accounting statements and related notes, and of whether the accounting policies are appropriate to the Conservancy’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Conservancy accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Conservancy accounting statements and related notes.

Opinion

In my opinion the Conservancy financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Conservancy as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Conservancy’s Responsibilities

The Conservancy is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Conservancy for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for

Appendix 1 – Independent auditor’s report to the Members of Chichester Harbour Conservancy

other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Conservancy has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Conservancy’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Chichester Harbour Conservancy made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Helen Thompson, District Auditor
44-45 West Street, Chichester, West Sussex PO19 1RP]
September 2008

Appendix 2 – draft letter of management representations

To: Helen Thompson, 44-45 West Street, Chichester, West Sussex PO19 1RP

Chichester Harbour Conservancy - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Chichester Harbour Conservancy, the following representations given to you in connection with your audit of the Conservancy's financial statements for the year ended 31 March 2008. All representations cover the Conservancy's accounts and included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Conservancy and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Conservancy have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all the Conservancy and Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

Appendix 2 – draft letter of management representations

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Conservancy.

The Conservancy has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 11 to the financial statements, we have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

Appendix 2 – draft letter of management representations

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Conservancy, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Conservancy has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Chichester Harbour Conservancy

I confirm that this letter has been discussed and agreed by the Accounts and Audit Committee on 22 September 2008.

Signed

Bryan Robinson, Treasurer

September 2008

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