

Committee: High Weald JAC Management Board

Date: 25 June 2014

Title of Report: High Weald Joint Advisory Committee - Annual Return 2013/14

By: Deputy Treasurer to the Joint Advisory Committee

RECOMMENDATION

The High Weald JAC Management Board is recommended to approve the Annual Return 2013/14

1. FINANCIAL APPRAISAL

1.1 The Financial Issues set out in paragraph 4 identify that at 31 March 2014 the High Weald AONB Joint Advisory Committee (JAC) had reserves of £97,717. The cost of external audit fees for auditing the Annual Return 2013/14 is estimated at £1,300. Fees will recur each year, and would increase if the JAC's income or expenditure increases. There will also be internal audit fees charged to the JAC in view of the JAC's responsibility to ensure there is an effective system of internal control in accordance with proper internal audit practices.

Supporting Information

2. BACKGROUND

2.1 As reported to the High Weald Joint Advisory Committee (JAC) in October 2007, all Areas of Outstanding Natural Beauty (AONB) are constituted as Joint Committees and are therefore subject to the Audit Commission Act 1998 and auditable. A separate Annual Return is therefore required. This is the sixth year we have been asked to complete such a return.

2.2 As the JAC's income and expenditure are between £200,000 and £6.5 million, we are not required to produce a full set of accounts to comply with International Financial Reporting Standards, which principal local authorities have to adhere to. Instead the JAC is required to produce an Annual Return which must comply with the guidance set out in "Governance and Accountability in Local Councils in England and Wales – a Practitioners' Guide 2008". This is less onerous than a full set of statutory accounts.

2.3 A draft Annual Return 2013/14 for the JAC is attached to this report at Appendix 2.

3. THE ANNUAL RETURN

3.1 The JAC is required to approve the Annual Return (see Appendix 2) prior to its submission to PKF Littlejohn LLP (external auditors). Appendix 3 (comments from the Head of Internal Audit at East Sussex County Council) will also be submitted.

The Annual Return comprises:

Section	Title	Section to be signed by
1	The accounting statements	The Treasurer and the Chairman
2	The annual governance statement	The Treasurer and the Chairman
3	The external auditor's certificate and opinion	PKF Littlejohn LLP (this will be signed on completion of the audit)
4	The annual internal audit report	The person who carried out the audit (see Appendix 3 for comments from the Head of Internal Audit at ESCC)

3.2 Should there be any material errors identified during the audit, these will be reported to the next meeting of the JAC.

3.3 To assist Members, the Treasurer's Foreword to the Annual Return is shown in Appendix 1, showing the variances between the budget and actual outturn, and giving details of how the JAC was funded and its expenditure.

4. FINANCIAL ISSUES

Annual Return (Appendix 2)

Statement of accounts – section 1

4.1 The High Weald JAC had a surplus of £8,484 for the year 2013/14. A forecast of a small surplus of £2,900 was reported to the JAC on the 26th March 2014. Explanations of variances from 2011/12 to 2012/13 will be submitted to the external auditors.

4.2 The reserves carried forward at 31 March 2014 are £97,717.

4.3 The requirement to produce separate auditable accounts for the JAC inevitably involves additional work for the High Weald Unit and for East Sussex County Council. The charge in 2013/14 for the additional internal audit work required was £1,800. The external audit fees are estimated to be in the region of £1,300 for 2013/14.

The Annual Governance Statement – section 2

4.4 The JAC has governance responsibilities with regard to the preparation of the statement of accounts, internal control and risk management, and these are set out in section 2 of the Annual Return.

4.5 Regarding point 5 which deals with risk management, managers at the High Weald Unit carry out operational risk assessments and project risk assessments, in accordance with ESCC policy. Strategic risk assessment is undertaken in developing the High Weald 3 year business plan. An extract from the High Weald Unit's Risk

Register is shown in Appendix 4. ESCC insurance policies also cover the High Weald JAC.

4.6 The level of internal audit coverage in relation to the 2013/14 financial year has been discussed and agreed by the Treasurer and further information on the effectiveness of internal audit is provided in Appendix 3 for Members to consider. The JAC is reminded that internal audit is only one source of assurance which is relied on in compiling the Annual Governance Statement. For example, qualified Finance staff at County Hall in Lewes have a major input to financial reports to the High Weald AONB JAC, including reports on budgets, and are fully engaged with staff at the High Weald Unit in monitoring income, expenditure and financial transactions during the year, and preparing the final accounts at the year end.

Annual Internal Audit Report – section 4

4.7 Section 4 shows the internal audit work which was covered for the 2013/14 Annual Return and further information on internal audit coverage is provided in Appendix 3. The internal audit service has not identified any significant internal control issues in relation to the JAC and this is reflected in section 4. There are a number of areas within section 4 that are not applicable or only partially applicable to the JAC and these noted in the draft return.

5. RISKS

5.1 The key risks the JAC need to be aware of relate to the continuation of core funding from local authorities and DEFRA in order for the JAC to be able to fund future budgets.

5.2 An extract from the High Weald Unit's Risk Register is attached at Appendix 4.

6 CONCLUSIONS AND REASONS FOR RECOMMENDATIONS

6.1 The JAC generated a surplus of £8,484 for 2013/14 which has been transferred to JAC reserves. Full explanations for variances between 2012/13 and 2013/14 will be supplied to the external auditors. The JAC uses East Sussex County Council's financial systems and is subject to the same Financial Regulations. Internal Audit reviewed the High Weald JAC material financial systems for the 2013/14 Annual Return and were able to give full assurance that a sound system of controls is in place.

6.2 The JAC is therefore recommended to approve the Annual Return 2013/14, which will be submitted to the external auditors, together with the report from the Head of Internal Audit at ESCC.

MO HEMSLEY

Acting Treasurer to the High Weald AONB Joint Advisory Committee

Appendix 1

Foreword by the Treasurer to the High Weald AONB JAC

Introduction

The High Weald Area of Outstanding Natural Beauty (AONB) Joint Advisory Committee (JAC) is primarily responsible for conserving and enhancing the natural beauty of the AONB, which covers 563 square miles over parts of 4 counties. The JAC will also increase the understanding and enjoyment by the public of the special qualities of the AONB and seek to foster the economic and social well-being of local communities within the AONB.

The JAC is a partnership between DEFRA, organisations representing farming, forestry, community, business and recreation interests and fifteen local authorities: East Sussex, West Sussex, Kent and Surrey County Councils, Horsham, Mid-Sussex, Tandridge, Sevenoaks, Wealden and Rother District Councils, Tunbridge Wells, Hastings, Ashford, Crawley and Tonbridge & Malling Borough Councils.

No separate accounting records are kept by the Joint Advisory Committee (JAC). As a result the Annual Return has been prepared from the records maintained by East Sussex County Council (ESCC).

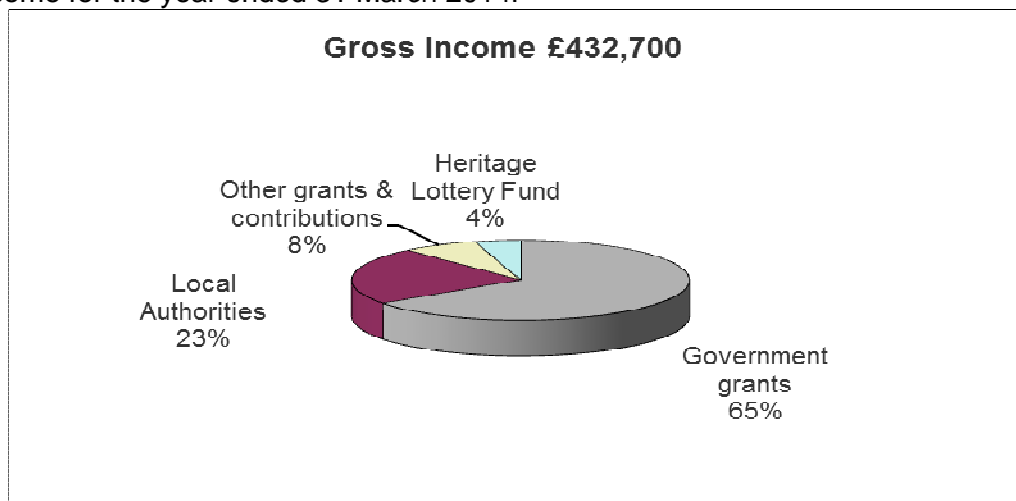
Funding

The Joint Advisory Committee received its income from DEFRA, the above local authorities and other bodies in the following proportions:

DEFRA and Natural England	65%
Heritage Lottery Fund	4%
Local Authority partners	23%
Other bodies	8%

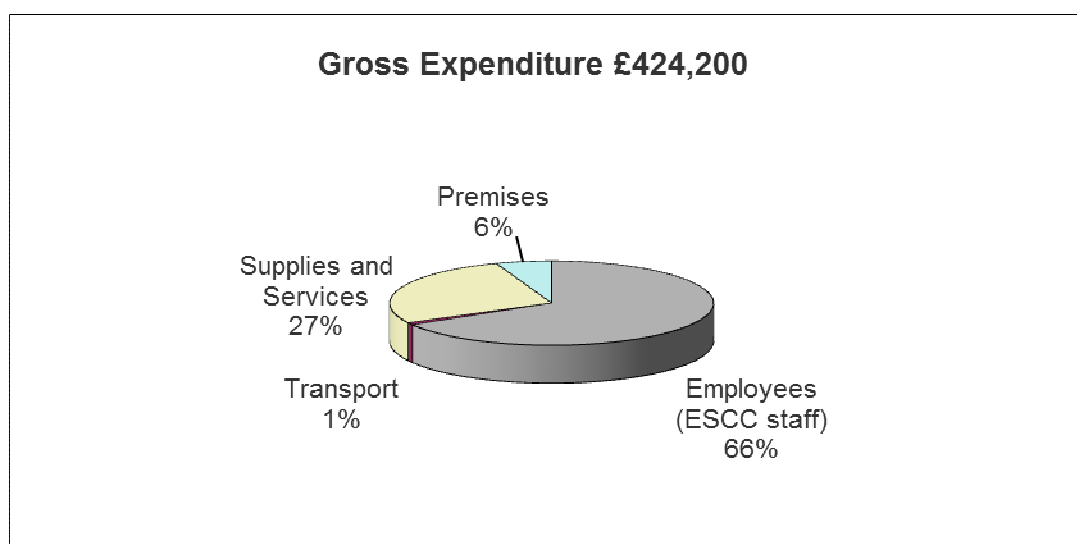
Other bodies include the Environment Agency, Forestry Commission, the Conservators of Ashdown Forest, the Woodland Trust and others.

The chart below shows the split of total funding from grants, contributions and other income for the year ended 31 March 2014:



Revenue Expenditure

The following chart shows the main areas of revenue expenditure in relation to the services provided. Employee costs include salaries of ESCC staff, national insurance and pensions. Premises costs include rental charges, service charges and non domestic rates. Supplies and services includes agency staff, training, staff recruitment advertising, grants to organisations, education programmes, media productions, equipment, professional fees, postage, telephones, printing and stationery. Transport includes car allowances and travelling expenses



Revenue budget

The table below sets out the main components of the revenue budget for 2013/14 and how these compare with the actual outturn:-

	Budget	Actual	Variance
	£'000	Outturn	£,000
		£'000	
Expenditure			
Core activities	306	295.0	9.0
Projects	108	129.2	(19.2)
Total expenditure	414	424.2	(10.2)
Core funding	306	303.5	(0.5)
Contributions to projects	108	129.2	19.2
Total income	414	432.7	18.7
Net Surplus/(Deficit)	0	8.5	8.5
Transfer (to)/from reserves	0	(8.5)	(8.5)

Outturn

The JAC's net income for the year 2013/14 was £8,484, which has been transferred to reserves.

Core activities show a net under spending of £8,484 compared to budget. This was due to: staffing costs being lower than the annual budget by approximately £4,600; accommodation and office equipment being lower by approximately £3,200; communication costs being lower by approximately £1,000; offset by partnership running costs approximately £400 higher than budget.

Reserves

The final position for the year is a reserve of £97,717 at 31 March 2014, which includes the £8,484 surplus for 2013/14. This reserve will be carried forward for JAC purposes.

Major Influences on the Joint Advisory Committee's Financial Position

All partners are facing difficult financial choices as a result of the Comprehensive Spending Review. It is important that the core budget of the JAC remains sufficient to deliver the statutory services in a co-ordinated and efficient way. The JAC is reliant on grant income from Defra and contributions from the constituent local authorities in East Sussex, West Sussex, Kent and Surrey. Should income from these bodies reduce in future years, the JAC will need to look for other sources of income and/or reduce expenditure. Defra have advised the JAC that their contributions will in 2015/16 will be as 2014/15 but with a caveat that they may be required to reduce this commitment (in year if necessary) due to other demands on their budget. It is therefore important for the Joint Advisory Committee to keep under review its business and financial planning over the medium term.

MO HEMSLEY

Deputy Treasurer to the High Weald AONB Joint Advisory Committee

June 2014

ANNUAL RETURN 2013/14Section 1 – Accounting statements for :
High Weald AONB Joint Advisory Committee

	Year ending	
	31 March 2013	31 March 2014
	£	£
1. Balances brought forward	85,414	89,233
2. (+) Income from local taxation and/or levy	0	0
3. (+) Total other receipts	605,921	432,677
4. (-) Staff costs	-328,116	-268,177
5. (-) Loan interest/capital repayments	0	0
6. (-) All other payments	-273,356	-156,015
7. (=) Balances carried forward	89,233	97,717
8. Total cash and short term investments	615,020	616,252
9. Total fixed assets and long term assets	0	0
10. Total borrowings	0	0

I certify that for the year ended 31 March 2014 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by the Treasurer:

Date:

I confirm that these accounting statements were approved by the body on :

Date :

and recorded as minute reference: _____

Signed by the Chairman of the meeting approving these accounting statements:

Signature :

Date:

Section 2 - Annual governance statement

We acknowledge as the members of the High Weald Joint Advisory Committee our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2014, that:

	Agreed – Yes or No	“Yes” means that the JAC:
1. We have approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	Yes	prepared its statement of accounts in the way prescribed by law.
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	Yes	made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the body to conduct its business or on its finances.	Yes	has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4. We have provided proper opportunity during the year for the exercise of electors’ rights in accordance with the requirements of Accounts and Audit Regulations.	Yes	during the year has given all persons interested the opportunity to inspect and ask questions about the body’s accounts.
5. We have carried out an assessment of the risks facing the body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes	considered the financial and other risks it faces and has dealt with them properly.
6. We have maintained throughout the year an adequate and effective system of internal audit of the body’s accounting records and control systems.	Yes	arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.

7. We have taken appropriate action on all matters raised in reports from internal and external audit.	Internal audit–yes External audit–there have been no external audit reports for the JAC	responded to matters brought to its attention by internal and external audit.
8. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and, where appropriate have included them in the accounting statements.	Yes	disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

This annual governance statement is approved by the body and recorded as minute reference:

Date:

Signed on behalf of the High Weald AONB Joint Advisory Committee

Signed by Chairman:

Date:

Signed by the Treasurer:

Date:

Section 3 - External auditor's certificate and opinion

The Annual Return is subject to Audit by PKF Littlejohn LLP. Should any material amendments be required to this Annual Return, these will be reported to the Joint Advisory Committee at its next meeting.

Section 4 - Annual audit report to The High Weald Joint Advisory Committee

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2014.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

	Insert Yes/No/Not covered
A. Appropriate accounting records have been properly kept throughout the year.	Yes
B. The body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	Yes
C. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Yes
D. The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Yes – Budget monitoring only. HWAONB is not a precepting body
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Yes
F. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	Yes
G. Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	Yes
H. Asset and investment registers were complete and accurate and properly maintained.	N/A – the body has no fixed assets or investments in its balance sheet
I. Periodic and year-end bank account reconciliations were properly carried out.	N/A – the body does not operate a separate bank account
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	Yes
For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:	

Name of person who carried out the internal audit: Russell Banks , Head of Assurance,
East Sussex County Council

Signature of person who carried out the internal audit: **Date :**