

WYRE FOREST DISTRICT COUNCIL
AUDIT COMMITTEE
THE EARL BALDWIN SUITE, DUKE HOUSE, CLENSMORE STREET,
KIDDERMINSTER
20TH NOVEMBER 2006 (6PM)

PRESENT:

Councillors: H J Martin (Chairman), M A Salter (Vice-Chairman), J Baker, G W Ballinger, M A W Hazlewood, Mrs F M Oborski, M J Shellie, J A Shaw and J C Simmonds.

Observer:

Councillor J-P Campion, Cabinet Member for Finance and Corporate Affairs.

AUD. 29 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors: J W Dudley, C D Nicholls and M M G Oborski.

AUD. 30 APPOINTMENT OF SUBSTITUTES

The following substitutes were appointed:

Councillor J Baker for Councillor J W Dudley;
Councillor Mrs F M Oborski for Councillor M M G Oborski; and
Councillor J A Shaw for Councillor C D Nicholls.

AUD. 31 DECLARATION OF INTERESTS

There were no declarations of interest.

AUD. 32 MINUTES

AGREED:

The minutes of the meeting held on 26th September 2006 be confirmed as a correct record of the meeting and signed by the Chairman.

**AUD. 33 EXTERNAL AUDIT - KPMG – AUDIT MEMORANDUM
REPORT TO THOSE CHARGED WITH GOVERNANCE 2005/06**

Further to Minute AUD. 19 of its 26th September 2006 meeting, the Committee considered the “External Audit - Audit Memorandum 2005/06 - Report to those charged with governance” presented by Mr Ian Skipp of KPMG LLP (UK), the Council’s external auditors. An executive summary had been included in the Committee’s agenda and the full report had been circulated to members separately.

As he had given a detailed presentation of the draft memorandum to the Committee at its 26th September 2006 meeting, Mr Skipp briefly highlighted the key findings from the audit work carried out by KPMG for the year ended 31st March 2006.

He reported that the Council's use of resources had been assessed as "largely adequate". He explained the scoring for the key lines of enquiry (KLOEs), detailed on page three of the executive summary, on which this assessment had been based. He confirmed that the category of "largely adequate" was the most common assessment awarded to similar authorities in the area. Members commented that the assessment criteria were difficult for members of the public to understand.

Mr Skipp was pleased to advise that KPMG had given an unqualified opinion, following an audit of the Council's accounts. With reference to Appendix 2 of the memorandum, he explained that KPMG's actual fee for work relating to grants had not been included as this work had not yet been completed. He confirmed that there were no relationships or matters that would affect the objectivity and independence of the external audit.

DECISION:

The External Audit - Audit Memorandum 2005/06 - Report to those charged with governance be noted.

AUD. 34 EXTERNAL AUDIT – KPMG – INTERIM MEMORANDUM 2005/06

Further to Minute AUD. 20 of its 26th September 2006 meeting, the Committee considered the "External Audit – Interim Memorandum 2005/06", presented by Mr Ian Skipp of KPMG LLP (UK), the Council's external auditors. A copy of the interim memorandum had been circulated with the Committee's agenda.

As he had given a detailed presentation of the draft memorandum to the Committee at its 26th September 2006 meeting, Mr Skipp gave a brief overview of significant issues. He drew attention to the benchmarking, on page 4, regarding the performance of district, single tier and county councils in the use of resources. He reported that Wyre Forest District Council's system of internal financial control was operating at a satisfactory level and that, over the past year, 56% of performance indicators had improved.

Mr Skipp reported that KPMG had needed to make only two recommendations, the first being a minor matter that Internal Audit should consider documenting the rationale for the level of testing to be performed during an audit. The second was that Wyre Forest District Council should continue to develop its risk management procedures and identification of risks. It was recommended that the Council should consider implementing an assurance framework to monitor key risks. Mr Skipp advised that this would assist the Committee to assess whether all risks had been identified and whether controls were in place.

The Chairman thanked Mr Skipp for his presentations.

Councillor Mrs F M Oborski arrived at this point (6.24 pm).

Members were pleased to note the Council's improved performance as assessed against performance indicators. They wished to receive further information on the Key Lines of Enquiry (KLOEs) that officers were required to complete in relation to the assessment of the Council's performance on the use of resources. In view of the volume of documentation involved, it was agreed that members would receive an electronic copy of the use of resources KLOEs, which the external auditors had assessed as requiring further consideration in relation to the 2006 audit. The Committee would consider a synopsis at its March 2007 meeting.

DECISION:

- 1. The External Audit - Interim Memorandum 2005/06 be noted.**
- 2. The Corporate Performance Adviser e-mail to Committee members the Key Lines of Enquiry (KLOEs), relating to the use of resources, which the external auditors have assessed as requiring further consideration in relation to the 2006 audit; and submit a synopsis of them to the Committee's March 2007 meeting.**

AUD. 35 INTERNAL AUDIT – TERMS OF REFERENCE - UPDATE

Further to Minute ED. 151 of the 30th October 2003 meeting of the former Executive, the Committee considered proposed updated terms of reference for the work undertaken by Internal Audit.

The Financial Services Manager advised that the terms of reference had been revised to take account of current practice and had been approved by the Corporate Management Team. She recommended an amendment to paragraph 2.5 of the updated terms of reference, as detailed in the recommendation below, as the posts of Audit Services Manager and Trainee Audit Assistant were vacant. She explained that the inclusion of the total number of posts, instead of specific posts, would provide flexibility, should the structure of the Section change. A typographical error in paragraph 3.2 was also corrected.

RECOMMENDED to Cabinet:

The Updated Terms of Reference for the work undertaken by the Internal Audit Section be approved, as attached as Appendix 1 of the report to the Audit Committee on 20th November 2006, subject to the following amendments:

Paragraph 2.5

Amend the first sentence to read: "The Internal Audit Section comprises 4.6 full-time equivalent posts led by the Audit Services Manager."

Paragraph 3.2

Delete "In discharging these duties the Financial Services Manager."

AUD. 36 WORK PROGRAMME

The Committee considered its work programme for the current municipal year and added items as detailed below.

DECISION:

1. The work programme for the current municipal year be approved, subject to the following additions:

January 2007

- Internal Audit – Annual Plan for 2007/08 – to seek members’ views on items for inclusion in the plan.

March 2007

- Position Statement on Risk Management.
- Synopsis of Key Lines of Enquiry (KLOEs), relating to the use of resources (Minute AUD 34 above refers).

April 2007

- Position Statement on Procurement.

2. The following item be noted for the 2007/08 municipal year:

June 2007

- Internal Audit – Annual Outturn report.

AUD.37 EXCLUSION OF THE PUBLIC

DECISION:

Under section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of “exempt Information” as defined in paragraphs 1 and 2 of Part 1 of schedule 12A of the Act.

AUD.38 MINUTES

The exempt minutes of the meeting held on 26th September 2006 were approved as a correct record and signed by the Chairman.

AUD.39 LETTER TO CHIEF EXECUTIVE AND RESPONSE ON AUDIT ISSUES

The Committee noted a letter dated 11th October 2006 from its Chairman to the Chief Executive, regarding final reports issued by Internal Audit for the quarter ended 30th June 2006, and the Chief Executive’s reply.

AUD. 40 INTERNAL AUDIT REPORT – QUARTER ENDED 30TH SEPTEMBER 2006

The Committee noted a report from the Head of Financial Services regarding the Internal Audit Report for the Quarter ended 30th September 2006.

The meeting ended at 7.28 pm.