

**WYRE FOREST DISTRICT COUNCIL
AUDIT COMMITTEE
THE EARL BALDWIN SUITE, DUKE HOUSE, CLENSMORE STREET,
KIDDERMINSTER
15TH JUNE 2006 (6PM)**

PRESENT:

Councillors: H J Martin (Chairman), M A Salter (Vice-Chairman),
G W Ballinger, J W Dudley, M A W Hazlewood, C D Nicholls, M M G Oborski,
M J Shellie and J C Simmonds.

Observer : Councillor J-P Campion.

Guest: John Gorrie, KPMG.

AUD.1 APOLOGIES FOR ABSENCE

There were no apologies for absence.

AUD.2 APPOINTMENT OF SUBSTITUTES

No substitutes were appointed.

AUD.3 DECLARATION OF INTERESTS

No declarations of interest were made.

AUD.4 MINUTES

AGREED:

The minutes of the meeting held on 21st March 2006 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.5 TERMS OF REFERENCE

The Chairman welcomed Mr J Gorrie from KPMG (the Council's external auditors) to the meeting.

The Committee considered the Terms of Reference, which had been agreed by the Council at its Annual Meeting on 17th May 2006.

Members had no comments to make but Mr Gorrie commented that the appointment of external auditors was not a direct function of the Council as external auditors were appointed by the Audit Commission.

DECISION:

The Terms of Reference for the Audit Committee, as agreed by Council at its Annual Meeting on 17th May 2006, be noted.

AUD.6 ANNUAL AUDIT AND INSPECTION PLAN 2006/2007

Mr Gorrie gave a presentation on the Annual Audit Plan for 2006/2007. He went through the Plan page by page and the following items were of note:

The Plan covered both audit and inspection.

With regard to the fees, he commented that the audit element of the fee was set according to a formula that had been set by the Audit Commission. The fee was calculated according to the type, size and complexity of the audit. The inspection element of the fee was based on the actual numbers of days taken to inspect each programmed activity.

KPMG were required to give a value for money conclusion. There were certain criteria to measure this against. KPMG were also required to issue a Use of Resources Judgement. A key part of KPMG's work was to cover areas such as risk management, internal control and value for money.

Performance Information

The Audit Commission had set out a new approach on how to look at the Council's overall arrangements and how to look at individual indicators. However it was noted that this would now be seen as a rudimentary exercise as the Audit Commission did not require as much work done on this as before.

Claims and Returns Certification

Grant claims work was included in the section and the cost of this work had been based on the assumption that the level of grant work would remain reduced.

Appendix 5 Key Issues

Appendix 5 outlined the key audit issues for 2006/2007. Work would be done on these areas based on results of previous work and updated following discussions with managers who had reviewed the documentation. The key issues would follow up on areas such as performance management, risks, the use of resources, key lines of enquiry, efficiency savings, shared services and partnerships, the prudential code, procurement and the system of internal financial control.

Members of the Committee thanked Mr Gorrie for a succinct presentation.

DECISION:

The Annual Audit and Inspection Plan 2006-2007 be noted.

AUD.7 ANNUAL REPORT ON THE COUNCIL'S INTERNAL CONTROL ENVIRONMENT INTERN AUDIT 2005/2006

A report was considered from the Financial Services Manager (Audit and Benefits) that informed Members of the Annual report on the Council's Internal Control Environment - Internal Audit for 2005/2006.

Members were informed that the opinion on the overall adequacy and effectiveness of the Council's internal control environment could be classified into three categories:

- Adequate
- Adequate with reservations
- Inadequate

The work of the Audit Section had been undertaken in accordance with Council's Audit Plan. The results had been published to the Audit Panel during the quarters ending June, September and December 2005. The quarter ended March 2006 was reported in an item to be considered later in the agenda.

The information was based on the internal control weaknesses relating to the financial year 2005/06. The report was presented to members in accordance with the Terms of Reference for the Internal Audit section approved by the Council.

In the opinion of the Financial Services Manager (Audit and Benefits) the Council's Internal Control Environment - Internal Audit for 2005/2006 was "Adequate with Reservations."

The Cabinet Member for Finance and Corporate Affairs commented that the

reason why 15% of the planned audit had not been completed had been due to staffing shortfalls within the Audit Section. He was pleased to report that this situation had now been resolved with the appointment of an Audit Services Manager.

RECOMMENDED TO CABINET:

The Annual Report on the Council's Internal Control Environment - Internal Audit for 2005/2006 from the Financial Services Manager (Audit and Benefits) attached as Appendix 1 of the report to the Audit Committee be approved.

AUD.8 WORK PLAN

It was noted that the Audit Committee meetings should correspond with the issue of Internal Audit quarterly reports. The Committee considered whether there were any further items of business that needed to be added.

It was considered that three items from the Terms of Reference could be incorporated into the Work Plan:-

Risk Management
Procurement
External Funding

These items would be considered in tandem with appropriate audit reports and officers would produce expanded terms of reference for each of these three areas.

It was noted that a meeting of the Audit Committee was due to be held on the 18th July 2006. It was considered that there would be insufficient business for this meeting and it was therefore agreed that the meeting be cancelled.

The Corporate Performance Adviser had produced a summary of Audit Inspection recommendations. There had been a number of recommendations in a sequence of documents and he therefore proposed that these recommendations be drawn together into a single document in order to give a progress report to the Audit Committee. He had spoken to the Council's external auditor about this matter and he was in favour of this proposal.

DECISION:

- 1. The meeting scheduled for the 18th July 2006 be cancelled.**
- 2. The Corporate Performance Adviser draw together reports for the Audit Committee in a consistent format.**

3. **A progress report be given to the Committee in November 2006.**
4. **An Executive Summary of the report be produced.**

AUD.9 EXCLUSION OF THE PUBLIC

DECISION

That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following items of business on the grounds that they involve the likely disclosure of "exempt information" as defined in paragraphs 2 and 7 of Part 1 of Schedule 12A to the Act.

AUD.10 SUMMARY OF MINUTES

The following proceedings were considered after the press and public had been excluded from the meeting. A summary of the minutes relating to these items has been made as "exempt information" would be disclosed if the minutes were published in full.

AUD.11 MINUTES

The Exempt Minutes of the Audit Panel held on the 21st March 2006 were noted.

AUD.12 INTERNAL AUDIT REPORT - QUARTER ENDED 31ST MARCH 2006

A report was considered from the Head of Financial Services regarding the Internal Audit Report for the Quarter ended 31st March 2006.

The meeting ended at 7.07 pm.