

**WYRE FOREST DISTRICT COUNCIL**  
**AUDIT COMMITTEE**  
**THE EARL BALDWIN SUITE, DUKE HOUSE, CLENSMORE STREET,**  
**KIDDERMINSTER**  
**26TH SEPTEMBER 2006 (6PM)**

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**PRESENT:**

Councillors: H J Martin (Chairman), M A Salter (Vice-Chairman), G W Ballinger, J W Dudley, P B Harrison, M A W Hazlewood, J A Shaw, and K J Stokes.

**Observer:** Councillor J-P Campion

**AUD.14 WELCOME**

The Chairman welcomed Mr Ian Skipp, from KPMG, the Council's external accountants to the meeting. Mr Skipp was in attendance for the item on external audit.

**AUD.15 APOLOGIES FOR ABSENCE**

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

**AUD.16 APPOINTMENT OF SUBSTITUTES**

Councillor J A Shaw was appointed as a substitute for Councillor C D Nicholls. Councillor K J Stokes was appointed as a substitute for Councillor M J Shellie. Councillor P B Harrison was appointed as a substitute for Councillor M M G Oborski.

**AUD.17 DECLARATION OF INTERESTS**

No declarations of interest were made.

**AUD.18 MINUTES**

**AGREED:**

**The minutes of the meeting held on 15<sup>th</sup> June 2006 be confirmed as a correct record of the meeting and signed by the Chairman.**

**AUD.19**     **EXTERNAL AUDIT - KPMG - AUDIT MEMORANDUM**  
**REPORT TO THOSE CHARGED WITH GOVERNANCE 2005/06**

The Committee received a presentation from Mr Ian Skipp, from KPMG, the Council's external auditors.

A copy of the draft Audit Memorandum was tabled at the meeting and Mr Skipp apologised for the fact that it was in a draft format and Members had not received it in advance of the meeting.

He went through each section of the memorandum in turn and made the following comments:-

Page two gave an overview of the findings. The report was aimed at those charged with governance - this was the Audit Committee. The purpose of the document was that it fulfilled the requirements of the ISA 260. KPMG were charged with communicating matters to the Audit Committee that involved issues around its role.

Section two gave details of the work of KPMG which assessed how Wyre Forest District Council used resources. Section three outlined the Accounts and Statement of Internal Control.

It was noted that the use of resources could be classified under three headings:

1. Arrangements are adequate
2. Largely adequate
3. Inadequate

Mr Skipp was pleased to report that the findings on the work of reserves were that arrangements at Wyre Forest District Council were considered to be largely adequate.

In the work that KPMG had completed on the accounts and internal control, he was pleased to report an 'unqualified opinion' on the Council for the year ended 31<sup>st</sup> March 2006.

Page three of the memorandum set out the use of resources. It identified more detail of the work done by KPMG. It defined the twelve criteria that the Audit Commission had set out in order to assess the Council on its use of resources.

Page four showed a table that outlined the work that KPMG had undertaken during the course of the audit. It was noted that there had been a number of staff changes at KPMG and also key staff changes at the Council. Despite these factors, the audit had proceeded smoothly.

Mr Skipp thanked the Head of Financial Services and his team for the help given during the audit. He particularly wished to extend thanks to Tracey Southall and Lisa Hutchinson for their contribution to the process.

The fee for the work undertaken on grants had not been included in the paper that was tabled as the work had not commenced.

Page nine detailed the Declaration of Independence and Objectivity. Mr Skipp was pleased to report that KPMG had perceived that there had been no matters that they felt impaired their independence as the Council's external audit provider.

The final appendix on page ten was the Draft Management Representation Letter. The Council was required to confirm to KPMG that they had informed them of any matters of which KPMG should be made aware e.g. any fraud etc.

Following his presentation, Mr Skipp answered questions from Members and clarified the following issues:

1. A member queried whether the criteria against which the Council was measured was placed in any order of importance. The Member was assured that all criteria were of equal importance.
2. It was queried whether any further assessments were required. It was confirmed that no further assessments were required at present. A comprehensive assessment had been carried out in 2005 on the value for money the Council gave on its use of resources.
3. Several Members commented that they would prefer to have paperwork such as the External Audit Memorandum in advance of the meeting so they could have time to digest its contents. Mr Skipp apologised for any inconvenience and stated that a number of factors had made this unavoidable.
4. A Member asked for clarification regarding the criteria for scoring the Council on its use of resources. Mr Skipp stated that a scale of one to four was used. One was the lowest score with four being the highest.

**DECISION:**

**The report be noted.**

**AUD.20 EXTERNAL AUDIT - KPMG - INTERIM MEMORANDUM 2005/2006**

Mr Skipp gave the Committee an oral report regarding the External Audit - Interim Memorandum 2005/2006.

The Memorandum was currently being finalised with officers of the Council. He outlined the numerous audits that had taken place over the course of the audit year in accordance with the Annual Audit Plan:

- The Interim Memorandum 2005/06 - this gave a half year view of the audit work completed to date
- The largest piece of work was the Best Value Improvement report. (In some areas, the Council had improved and in some areas it had not). However, the general performance indicators showed that the Council was improving.
- Review of work of Internal Audit (KPMG relied on the Financial Services Manager and her Team to provide information here)
- The system of internal financial control was working satisfactorily at the authority and there were a number of recommendations that would be made.

One issue that had been discussed with the Council was the implementation of an assurance framework. It was necessary to work out with the Financial Services Manager and her team the steps needed prior to this being implemented. An assurance framework would list the risks that the authority faced and would show the controls in place to limit the risk. Any actions that were necessary to reduce a risk would be outlined and there would be a deadline set for the risk to be addressed.

The next report to the Committee would be the Audit Inspection Letter and this would take the form of a comprehensive report. Owing to the disappointment of Members about the audit memorandum not being available prior to the meeting, Mr Skipp assured Members he would have it circulated to members well in advance of the committee meeting.

The Chairman thanked Mr Skipp for his presentation.

#### **DECISION:**

**The contents of the presentation be noted.**

#### **AUD.21. AUDIT COMMITTEE - TERMS OF REFERENCE**

The Committee considered proposed expanded Terms of Reference relating to Risk Management, Procurement and External Funding.

#### **RECOMMENDED TO COUNCIL:**

**The expanded Terms of Reference of the Audit Committee, numbered 11, 12 and 13, relating respectively, to Risk Management, Procurement and External Funding as contained in the report to the Audit Committee be approved.**

**AUD.22 WORK PROGRAMME**

Members considered the draft work programme for the current municipal year.

Members felt it may be necessary to delay the progress report on procurement work and risk management work. This issue would be discussed at the Committee's next meeting on 20<sup>th</sup> November 2006.

**DECISION:**

**The work plan be noted. The planned reports on procurement and risk management work for 30<sup>th</sup> January 2007 meeting be reviewed at the Committee's meeting on 20<sup>th</sup> November 2006.**

**AUD.23 EXCLUSION OF THE PRESS AND 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 1 and 2 of Part 1 of Schedule 12A to the Act."**

**AUD.24 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.25 MINUTES**

The exempt minutes of the Audit Panel held on 15<sup>th</sup> June 2006 were agreed.

**AUD.26 INTERNAL AUDIT REPORT - QUARTER ENDED 30<sup>TH</sup> JUNE 2006**

A report was considered from the Head of Financial Services regarding the Internal Audit Report for the Quarter ended 30<sup>th</sup> June 2006.

The meeting ended at 7.07 p.m.,