

WYRE FOREST DISTRICT COUNCIL
AUDIT COMMITTEE
THE EARL BALDWIN SUITE, DUKE HOUSE, CLENSMORE STREET,
KIDDERMINSTER
25TH JUNE 2007 (6.00PM)

PRESENT:

Councillors: J Aston (Chairman), P B Harrison (Vice-Chairman), J Baker, G W Ballinger, M A W Hazlewood, D J Millis, C D Nicholls, J Thomas.

OBSERVER:

Councillor J Holden, Cabinet Member for Corporate and Customer Services attended as an observer.

AUD. 1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor W G Jones.

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 24th April 2007 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD. 5 TERMS OF REFERENCE

The Committee was advised that its Terms of Reference did not currently include provision for leadership on governance and financial reporting issues, as recommended in guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Audit Commission. As a result, the Committee recommended the Council to add the three items listed below:

RECOMMENDED to Council

Approval be given to the following additional Terms of Reference for the Audit Committee:

“14. Annual Statement of Accounts

Consider and make recommendations, if appropriate, on the Annual Statement of Accounts.

15. Statement on Internal Control

Consider and make recommendations, if appropriate, on the Statement on Internal Control.

16. Corporate Governance Arrangements

Receive reports on, comment upon and make recommendations, if appropriate, on the Council’s overall corporate governance arrangements including the Council’s arrangements for the prevention and detection of fraud and corruption.”

AUD. 6 EXCLUSION OF THE PUBLIC

AGREED:

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. 7 SUMMARY OF MINUTES

MINUTES

The exempt minutes of the meeting held on 24th April 2007 were approved as a correct record and signed by the Chairman.

AUD. 8 INTERNAL AUDIT REPORT – QUARTER ENDED 31ST MARCH 2007

The Committee noted a report from the Financial Services Manager regarding the Internal Audit Report for the Quarter ended 31st March 2007.

The quarterly audit report contained summaries of final audit reports issued in the quarter, including the recommendations made to managers and their responses. It also contained lists of follow up reviews undertaken in the quarter where recommendations had been made, but not yet implemented; draft internal audit reports issued in the quarter; and resource statistics of the Internal Audit Section.

AUD. 9 READMITTANCE OF THE PUBLIC

AGREED:

The public be readmitted to the meeting.

AUD. 10 ANNUAL REPORT FROM THE FINANCIAL SERVICES MANAGER 2006/2007

The Committee considered the annual report for 2006/2007 from the Financial Services Manager. This provided her opinion, as the Council's Chief Auditor, on the adequacy and effectiveness of the Council's internal control environment in the light of the completion of internal audit reviews.

She was pleased to record an increase in full assurance level conclusions to internal audit reviews i.e. where no weaknesses had been identified. Her overall conclusion from the work undertaken by Internal Audit for the 2006/2007 financial year on the adequacy and effectiveness of the Council's internal control environment was "satisfactory, with reservations". This was the second of three categories. The reservations were those arising from the conclusions of the internal audit reviews undertaken in accordance with the 2006/2007 internal audit plan, as reported quarterly to the Committee.

The Committee noted from the report that 75% of the internal audit plan for 2006/07 had been completed. The Financial Services Manager advised that the internal audit reviews of key systems had been completed and provided to the Council's external auditors. For the remaining 25% of audit reviews, the Financial Services Manager confirmed that, in her view, it was acceptable for these to be rolled forward in line with the approved three year strategic internal audit plan for the period 2006-09.

AGREED:

The improvement of 8.5% in the number of Full Assurance level conclusions arising from Internal Audit reviews on Key systems for 2006/2007 as shown in paragraph 4.6. of the report be noted.

RECOMMENDED to Cabinet

Approval be given to the Annual Report from the Financial Services Manager for 2006/2007, attached as Appendix 1 to the report to the Audit Committee on 25th June 2007.

AUD. 11 FINAL ACCOUNTS 2006/2007

The Committee considered a report from the Financial Services Manager on the pre-audit copy of the Council's Statement of Accounts for 2006/2007, including the Statement on Internal Control and Annual Efficiency Statement 2006/07 (Backward Look).

The Financial Services Manager advised that there was a legal obligation for the Council's Statement of Accounts to be considered by a committee of the Council before 30th June 2007 and that they would be submitted for approval by the Cabinet on 28th June 2007. They also had to be made available for public inspection. As a consequence, a notice had been placed on the Council's website and in the Kidderminster Shuttle newspaper.

Members wished to know how many members of the public actually asked to inspect the pre-audit Statement of Accounts. They were disappointed to learn that, although there were usually some telephone enquiries, no one had asked to inspect the Statement since the establishment of the Duke House Offices and, prior to that, there had only been about one or two each year.

The point was raised that the Shuttle was not available in some areas of the District and, therefore, the Committee agreed that further consideration needed to be given to the publicity arrangements for future years to encourage more public interest.

A discussion then ensued on the merits of including an independent person as a member of the Audit Committee. The Leader of the Council advised that it might be difficult to recruit a person with relevant experience and there was currently no budget for this purpose. However, Members concluded that the suggestion was worthy of further investigation as they felt that a lay person, such as from a local company, might be able to make a useful contribution. They were also aware that other authorities had made such an appointment.

The Leader of the Council left the meeting at this point (6.50pm).

The Committee then considered the Statement on Internal Control; the overview of the Statement of Accounts 2006/2007; major variations between the revised 2006/2007 budget and actual net expenditure; and the Annual Efficiency Statement 2006/2007 (Backward Look), all of which were appended to the report.

With reference to the major variations between the revised 2006/2007 budget and actual net expenditure, the Head of Cultural, Leisure and Commercial Services advised members that the greater part of the sum of £23,000 recorded against additional repairs to public conveniences, actually related to sick pay for a toilet cleaner. It was clarified that some contractors' charges for repairs and maintenance included wages. Members requested that, in future, prominence be given to the major item of expenditure in each category description.

Members were pleased to see that the Annual Efficiency Statement would specify that the Council had exceeded its target for 2006/2007, having made total efficiency gains of £581,855 against a requirement of £333,000. They noted that the target figure for 2008/09 was unavailable as it would form part of the Government's 2007 Comprehensive Spending Review that had not yet been published.

The Financial Services Manager clarified that the current financial year would be the final year of the current three year Gershon efficiency savings programme. She advised that it was expected to be announced as part of the CSRO7 review that the required efficiencies the Council had to achieve in future years would be greater than those currently required and even be deducted from the Council's revenue support grant before receipt. Members noted that it was recognised that savings could not continue indefinitely without affecting services.

AGREED:

- 1. The current arrangements for publicising the pre-audit copy of the Council's Statement of Accounts on the Council's website and in the**

Kidderminster Shuttle newspaper be noted and reviewed for future years.

- 2. A report be submitted to the Committee regarding the possibility of appointing an independent member to the Audit Committee.**

RECOMMENDED to Cabinet

- 1. The Pre-Audit Statement of Accounts, 2006/2007, be approved.**
- 2. The Statement on Internal Control be approved;**
- 3. The Annual Efficiency Statement 2006/2007 (Backward Look) be approved for submission to Communities and Local Government Office.**
- 4. It be noted that the additional reserves of £492,790 generated from the 2006/2007 surplus will be reconsidered in accordance with the Council's Finance Strategy, as part of the 2008/2011 Budget Process.**

AUD. 12 WORK PROGRAMME 2007/2008

The Committee considered its work programme for the 2007/2008 municipal year with regard to the Community Strategy, Corporate Plan and Annual Priorities.

AGREED:

The work programme for the 2007/08 municipal year be approved, subject to the addition of the following reports:

- A review of arrangements for publicising the pre-audit copy of the Council's Statement of Accounts**
- An appraisal of the merits of appointing an independent member to the Audit Committee.**

The meeting ended at 7.05 pm.