

**WYRE FOREST DISTRICT COUNCIL
AUDIT COMMITTEE
THE EARL BALDWIN SUITE, DUKE HOUSE, CLENSMORE STREET,
KIDDERMINSTER
17TH JANUARY 2011 (6.00PM)**

Present:

Councillors: J Holden (Chairman), K H Prosser (Vice-Chairman), I Hardiman, T Ingham, D J McCann, D J Millis and M A Salter.

AUD.20 Apologies for Absence

Apologies for absence were received from Councillor G W Ballinger and the Cabinet Member for Resources, Councillor N J Desmond.

AUD.21 Appointment of Substitutes

Councillor T Ingham was appointed as a substitute for Councillor G W Ballinger.

AUD.22 Declaration of Interests

No declarations of interest were made.

AUD.23 Minutes

Agreed: The minutes of the meeting held on 1st November 2010 be confirmed as a correct record of the meeting and signed by the Chairman.

The Chairman announced a revised running order for the agenda to take two Audit Commission reports together namely agenda item 8 would be taken after agenda item 5.

AUD.24 Annual Audit Letter Wyre forest District Council Audit 2009/2010

A report was considered from that Audit Commission that summarised the findings from the 2009/2010 audit. Liz Cave, the District Auditor drew Members' attention to the following:

- 2009/2010 was a period of considerable change for Wyre Forest District Council.
- The economic downturn appeared to have affected Wyre Forest District Council earlier than other Councils that the Audit Commission audited.
- Attention was drawn to a number of risks e.g. the Icelandic investment situation had not been resolved and the embarkation in some significant projects at the same time that the Council's budget had been dramatically cut.
- There was a need for Members to be aware of the risks associated with

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the projects for them to understand the rationale behind the decisions made and the impact of changing assumptions.

- The Council had received an unqualified opinion with regard to providing Value for Money and an unqualified opinion for its audit.
- With regard to treasury management and the Landsbanki investments the decision on the status of creditors was imminent and the decision could have an impact on the Council.
- The capitalisation direction of £1.75m was good at the time it was granted but it was £1.75m of cost that must be carried forward and funded in future years.
- This year, under International Financial Reporting Standards, the Council was required to produce accounts in line with new accounting standards and this was a big change for a small Finance Department. The Council was urged to ensure there was sufficient officer time to devote to this.
- With regard to shared services the Audit Commission was pleased to see that the Council had given consideration to the potential of shared services and had achieved efficiencies through the Joint Worcestershire Enhanced Two Tier Project. It was important for Members of the Audit Committee to be clear about how this related to their responsibilities at Wyre Forest and for them to understand the need to exercise good governance in this respect.
- Congratulations were offered with regard to the single site project and although it was perceived as a controversial project it was good that the Council was able to fulfil its plans with regard to the project. More in depth work would be undertaken by the Audit Commission on the project. It was noted that the value for money depended on the revenue savings which would be obtained from selling off redundant buildings in the Council's ownership. Assumptions had been made on the basis of the buildings being sold. The Audit Commission had considered some of the papers produced for Members on the single site and commented on the importance of Members ensuring that the risk was properly managed and that there were clear management and project arrangements in place.
- Attention was drawn to the National Fraud Initiative (NFI) where audited bodies were provided with details of matches which councils could then consider for evidence of fraud. It was noted that some Councils had accrued considerable savings from this initiative but the savings made by Wyre Forest appeared to low. It was considered by the Audit Commission that this was an area where the Council could achieve more savings. Suggestions had been provided within the report on how to make more savings in this connection.
- With regard to the Council providing value for money, the Audit Commission had issued an unqualified opinion. There were 10 criteria under which the Council were assessed and the Audit Commission had considered that it had adequate arrangements in all 10 sections. The Council had improved its performance compared with last year in many areas but particularly with regard to managing its finances.
- The Council had made great strides in understanding costs and making efficiencies and were to be congratulated in this area.
- At the last meeting of the Audit Committee it had been stated that a

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separate report would be issued on the audit letter but unfortunately the report had not been written in time and thus it would be presented to the next meeting of the Audit Committee.

- With regard to waste management, this had been considered in more detail than it had before. There was a considerable amount of public interest in the contract with Worcestershire County Council and Hereford for waste disposal. It was considered to be important to review what was happening in the districts and the impact on collection arrangements if any. The Audit Commission had found that although there were differences in waste collection amongst Worcestershire districts it was not causing a problem with regard to disposal arrangements. Collection arrangements were consistent. There were adequate partnership arrangements between the County and District Councils which although not ideal, were being strengthened. It was hoped that partnership arrangements would be strengthened further by working together more in a way that would support all sites and hopefully incentivising districts to increase recycling.
- The major contract for waste management was currently out for planning permission and it was not possible to comment on the situation until planning permission had been granted.
- With regard to value for money, the Audit Commission would be looking this year at 2 areas of the 10 criterion it set, namely the arrangements for securing financial resilience and how the Council prioritised reserves within tighter budgets. Members were reminded that audit was not about the budget process but more how the Council looked at its services and made efficiencies and this would build on the work that had been done on the use of resources focussing on the money and the arrangements behind this.
- It was stated that there were significant risks for all Councils but the Audit Commission would be looking at areas where they felt there were potential risks e.g. single site, the Medium Term Financial Plan and whether all the projects included in the budget achieved the planned savings or not.

The Director of Resources responded to the presentation and commented that it was right to concentrate on risk but he perceived there was a greater risk if nothing was done. He acknowledged there were risks associated with the single site project but commented that the savings it would deliver were important for the Council in the current financial climate. The Council had been required to adjust its figures and were now required to save not the original anticipated 28% but approximately 40%.

With regard to the treasury management capitalisation direction, the Director of Resources commented that this had been helpful. It had been funded in full through available capital receipts. The capitalisation direction had permitted expenditure classified as revenue to be charged to capital and funded from available capital receipts.

The Director of Resources commented on the Council's creditor status with Landsbanki. It was hoped that the matter would be resolved shortly. The Council was anticipating being determined as a 'preferred creditor' as opposed to a 'non preferred creditor' but had contingency plans in place in case this did not happen. The Council was in the process of disposing of its

surplus assets and it was presumed that this would take approximately 3 years. However the Council had realised £6m through disposal of the Rushock Trading Estate.

Members discussed the potential reduction in the price of the Council's assets. The Director of Resources remarked that Burton Knowles, the Council's agents had taken into account that they might have to sell more assets than anticipated in the first place. Unfortunately there had not been much interest in the properties in New Street, Stourport or Coventry Street in Kidderminster and they were considering the possibility of offering the New Street property in an auction but with a reserve value placed on the property.

Members noted that a saving had been achieved on the original asking price for the Finepoint site.

Decision: The contents of the Annual Audit Letter (2009/2010) for Wyre Forest District Council be noted.

AUD.25 Draft international Financial Reporting Standards (IFRS) Compliant Balance Sheets as at 1st April 2009 and 31st March 2010

A report was considered from the Director of Resources that outlined the progress made on the draft International Financial Reporting Standards (IFRS) compliant balance sheets as at 1st April 2009 and 31st March 2010.

The Financial Services Manager explained that it was good practice to keep Members updated on International Financial Reporting Standards as required by the Audit Commission. Members were advised that two training sessions had been held with the Audit Committee in September 2009 and June 2010. Members had been receptive to these sessions and had asked many questions.

The Audit Commission was commencing a review of the new draft balance sheets as the Council was required to go back and restate the balance sheets. It was noted that the statement of accounts for 2010/2011 would be produced in accordance with the new IFRS requirements: the pre-audit draft by the 30th June 2011, with final approval of the audited accounts by the 30th September.. A project plan was in place and also a risk assessment had been produced for each accounting standard. The risk assessment was colour coded red/amber and green and was something that would be reviewed by the Audit Committee.

The Financial Services Manager commented that one of the key milestones was to get the balance sheets redrafted and that there were 4 key areas to be taken into account when redrafting the balance sheets namely:

- Employee benefits
- Fixed Assets
- Leases
- Other Accounting Charges

Members were advised that it had been intended to make a further report to the March 2011 Audit Committee meeting on the redrafting of the balance

sheets but this would now form part of the September 2011 approval of the overall statement of accounts. If possible, details of new accounting policies would be brought to the March meeting for Member consideration.

In response to a Member's question regarding leases, it was noted that extra resources had been made available to examine leases to establish whether they were operational or financial leases. If they were the latter it was necessary to include them on the balance sheet.

Decision: The progress in respect of the draft IFRS compliant Balance Sheets as at 1st April 2009 and 31st March 2010 be noted.

AUD.26 Internal Audit Monitoring Report Quarter Ended 30th September 2010

A report was considered from the Director of Resources that informed Members of the Internal Audit Monitoring Report for the Quarter ended 30th September 2010.

The Chairman drew attention to the fact that the Internal Audit Section had exceeded its target of audits completed and congratulated them.

The Director of Resources presented the report and pointed out that in the quarter ended 30th September 2010 that none of the areas audited had been found to be 'limited' or 'unsound.'

Decision: The Internal Audit Monitoring Report for the Quarter ended 30th September 2010 as detailed in the appendix to the report to the Audit Committee be noted.

AUD.27 External Funding Position Statement – quarters 2 & 3 2010/2011

A report was considered from the Director of Planning and Regulatory Services that provided an update on the amount of external funding being attracted into the District during quarters 2 and 3 of the 2010/2011 financial year and the variety of projects for which the funding was contributing towards for the benefit of the District and its residents.

The Regeneration Officer presented the report and commented that there had been some successful bids for cultural events such as the Kidderminster Arts Festival, and Wyre Forest Dance Festival and for countryside based activities including the Grazing Animals Project and the Acid Grassland Project.

Members queried the stance of the new coalition Government and whether there was likely to be less external funding available. In response, the Regeneration Manager stated that there was no certainty as to what funding would be available but it was considered that there were likely to be more centralised pots of money for which more organisations would bid.

Decision: The amount of External Funding being attracted to the District as attached in Appendix 1 of the report to the Audit Committee be noted.

The meeting ended at 6.43 pm.