

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Monday, 18th September 2006, at 6.00 p.m.

PRESENT: Councillors G. N. Denaro (Chairman), C. B. Lanham (Vice-Chairman), A. N. Blagg, A. J. Dent, J. T. Duddy, G. H. R. Hulett and N. Psirides JP

Observers: Councillors Mrs. R. L. Dent and Mrs. M. M. T. Taylor

11/06 **DECLARATIONS OF INTEREST / WHIPPING ARRANGEMENTS**

No interests or whipping arrangements were declared.

12/06 **MINUTES**

RESOLVED that the Minutes of the meeting of the Board held on 13th June 2006 be confirmed as a correct record and signed by the Chairman.

13/06 **EXTERNAL AUDIT MEMORANDUM REPORT TO THOSE CHARGED WITH GOVERNANCE STATEMENT OF ACCOUNTS 2005 / 2006**

The Chairman introduced Mr. J. Gorrie, from KPMG LLP (UK), the appointed auditor to the Council, together with Mr. N. Rafiq, Assistant Manager at KPMG LLP (UK).

Mr. Gorrie circulated copies of a draft "External Audit: 2005/06 Audit Memorandum - ISA 260 Report to those charged with governance" document which gave an indication to the Council of any audit issues which may need to be addressed and to ensure that audit and accounting codes of practice are adhered to. He stated that the report outlined the findings of the audit of the Council's Statement of Accounts for 2005/2006.

RESOLVED that the "External Audit: 2005/06 Audit Memorandum - ISA 260 Report to those charged with governance" document be noted.

14/06 **LETTER OF MANAGEMENT REPRESENTATIONS FOR THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006**

The Board considered the draft Management Representation Letter which the Council is required to send to its auditors before the formal Audit Report can be issued.

RESOLVED that:

- (i) the draft Management Representation Letter, as outlined in Appendix A to the report, be noted; and

- (ii) the Head of Financial Services be authorised to make any necessary amendments to the draft Management Representation Letter following consultation with KPMG.

15/06

KPMG INTERNAL MEMORANDUM 2005 / 2006

Consideration was given to the Internal Memorandum 2005/2006, issued by KPMG and the Audit Commission, together with the management response to the recommendations.

RESOLVED that:

- (i) the 2005/2006 Internal Memorandum be noted; and
- (ii) the management response to the Audit and Inspection Letter be endorsed.

16/06

NEW FINANCIAL REGULATIONS

The Board considered the proposed new Financial Regulations which had been prepared following a thorough review of the existing Regulations. The Regulations provided a framework for the administration and control of the Council's financial affairs and formed part of the Council's Constitution.

RECOMMENDED that:

- (i) the Council approve the amendment of paragraph 4.3.5, relating to capital project budget overspending, from that referred to in Appendix A to the report to the following:-

"4.3.5 Where it appears that any capital project estimate will be -

- (a) exceeded by up to £5,000, it shall be the duty of the Service Manager concerned, in consultation with the relevant Head(s) of Service, to inform the Head of Financial Services at the earliest opportunity;
- (b) exceeded by between £5,001 and £15,000, it shall be the duty of the Service Manager concerned, after joint consultation with the relevant Head(s) of Service and the Head of Financial Services, to inform the Corporate Director (Resources) at the earliest opportunity;
- (c) exceeded by between £15,001 and £100,000, it shall be the duty of the Service Manager concerned, after joint consultation with the relevant Head(s) of Service, the Head of Financial Services and the Corporate Director (Resources), to inform the Executive Cabinet at the earliest opportunity; and
- (d) exceeded by over £100,000, it shall be the duty of the Service Manager concerned, after joint

consultation with the relevant Head(s) of Service, the Head of Financial Services and the Corporate Director (Resources), to inform the Council at the earliest opportunity."

- (ii) in all other respects, the new Financial Regulations be noted and approved.

17/06 **INTERNAL CONTROL FRAMEWORK**

Consideration was given to a proposed Internal Control Framework which included arrangements for the management of risk across six key areas, including Performance Management, Internal Audit, External Audit, Assurances by Managers, Risk Management and other sources of assurance.

RESOLVED that the Internal Control Framework be approved.

18/06 **2005 / 2006 INTERNAL AUDIT OPINION**

Consideration was given to the 2005/2006 Internal Audit Opinion on the Council's internal control environment and other matters which were detected during routine internal audit work.

RESOLVED that the Internal Audit Opinion report on the Council's internal control environment for 2005/2006 be approved.

19/06 **INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

The Board gave consideration to the summary of the current performance and workload of the Internal Audit Section.

RESOLVED that:

- (i) the current status of, and work completed on, the Audit Plan for 2006/2007 be noted and approved;
- (ii) (a) the work completed by the Internal Audit Section during the first five months of 2006/2007; (b) the current Performance Indicator statistics; and (c) the work relating to ongoing investigations, be noted.

20/06 **RECOMMENDATION TRACKER**

Consideration was given to the current progress on the implementation of "priority one" recommendations which had been included in audit reports issued since April 2005.

RESOLVED that:

- (i) the Audit Finding relating to the production of a new Accountancy Codebook be deleted from the list as it is not considered to be high priority;

- (ii) the progress made to date on the "priority one" recommendations, outlined in Appendix A to the report, be noted, and the necessary action be taken to improve the issues referred to

The Meeting closed at 7.25 p.m.

Chairman