

# REPORT OF THE STATUTORY ACCOUNTS COMMITTEE

## Meeting Held on 11th July, 2005

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### Membership:

Councillors Mrs. P.A. Andrews, G.V. Hyde, T.M. James, R.J. Phillips, R.M. Wilson.

### 1. CHAIRMAN

The Committee elected Councillor R.J. Phillips as its Chairman for the ensuring Council year.

### 2. STATEMENT OF ACCOUNTS

The Statutory Accounts Committee was set up in 2003 to approve the Council's Statement of Accounts as set out in Standing Order 9.7 of the Constitution. It comprises the Leader and Deputy Leader of the Council, the Cabinet Member (Resources) and the Chairman and Vice-Chairman of Strategic Monitoring Committee. It is a statutory requirement that the Council's 2004/05 Statement of Accounts is formally approved by 31st July, 2005. This date will be brought forward again next year so that the approval deadline for the 2005/06 Statement will be 30th June, 2006.

The Committee has approved the Statement of Accounts including the final Revenue and Capital Outturn for 2004/05. It has also approved the formal signing of the Statement of Accounts by the Chairman of the Committee on behalf of the Council and the signing of the Statement of Internal Control. The Statement was made available at INFO centres, in libraries and on the Council's website and on request. All notices contain contact details for anyone seeking further information. An article summarising the Statement will appear in the next edition of Herefordshire Matters.

The Committee has noted the information in respect of redundancies and early retirements in 2004/05 and about the Council's bank accounts as at 31st March, 2005.

The Committee has also noted that the Council's external auditors had issued an unqualified certificate in respect of the accounts for 2003/04.

### 3. AUDIT COMMITTEE

Over the last few years most public sector organisations have set up audit committees. Generally these are thought to be an essential aid to a corporate overview of the internal control environment.

In 1996 the Audit Commission published *Called to Account* which discussed the need for audit committees in local authorities. In particular it saw the need for one committee to deal with the following issues in a way which ensured they were not seen as peripheral to main business:

- internal control and audit performance, which are key corporate governance components
- the integration of internal and external audit and the follow up of the implementation of audit recommendations
- raising the profile of internal control and the management of audit resources in the organisation.

Historically, adoption of audit committees in local government has not been universal, because of their unique constitutional, legal and operating environment.

One of the major difficulties cited for audit committees is the political nature of local authorities and this needs to be dealt with if the committee is to add value to the running of the Council. Most councils agree that the audit committee must act apolitically if it is to be successful. Where audit committees are in place the main business transacted by them is:

- promoting internal control – the systematic appraisal of the controls which help the Council protect its assets and resources. The audit committee can ensure these can be monitored as part of a regular process. This should extend the commitment to an anti-fraud culture in the authority. Thus reports of special investigations, reports of the extent of fraud etc should all be taken here. Within this head is also the regular review of financial procedures
- focusing audit resources – the approval of audit plans, monitoring the quality of audit delivery and performance, ensuring excellent collaboration between the auditor and officers, approving the final accounts, responding to audit recommendations and monitoring the progress on implementation of these recommendations.

The presence of an audit committee allows a corporate response to these issues which potentially would not be available from a more general committee.

The County Treasurer has advised that the Council should consider widening the remit of the current Committee to do this. A proposed set of revised terms and conditions for the Committee would be as follows:

*To provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process through consideration of :*

- (a) *the terms of reference for Internal Audit*
- (b) *the Internal Audit strategy*
- (c) *the resourcing of Internal Audit*
- (d) *the periodic plans of Internal Audit, progress against and material changes made to these plans, and any implications arising from their findings and opinion*
- (e) *the adequacy of management response to Internal Audit advice and recommendations*
- (f) *the Head of Internal Audit's annual report*
- (g) *the arrangements made for co-operation between Internal Audit, External Audit and other review bodies*
- (h) *periodic reports by External Auditors*
- (i) *approval of the Council's Statement of Accounts and associated reports.*

It is also recommended that the Committee becomes politically proportionate and its current membership be revised to facilitate this.

#### **4. REVISING THE CONSTITUTION**

Any proposal to revise the Constitution is required under Standing Order 4.31 to be firstly considered by the Cabinet and Strategic Monitoring Committee before being

agreed by Council. However, the Council can agree to suspend this Standing Order and agree these proposed amendments to the Terms of Reference of the Statutory Accounts Committee provided at least two-thirds of the Council are present at the meeting.

## **RECOMMENDATIONS**

### **THE COMMITTEE RECOMMENDS TO COUNCIL THAT:**

- (a) Standing Order 4.31.1 (Changes to the Constitution) be suspended in accordance with Standing Order 4.32 to allow the Council to consider the proposed variations to the Name, Composition and Terms of Reference of the Statutory Accounts Committee as detailed in the Report;
- (b) Standing Order 9.7 be revised so that the Statutory Accounts Committee be re-named the Audit Committee and that its membership be increased, if necessary, to reflect political proportionality;
- (c) Standing Order 9.7.2 be revised so that the terms of reference of the Audit Committee be as follows:

*To provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process through consideration of :*

- (a) *the terms of reference for Internal Audit*
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- (f) *the Head of Internal Audit's annual report*
- (g) *the arrangements made for co-operation between Internal Audit, External Audit and other review bodies*
- (h) *periodic reports by External Auditors*
- (i) *approval of the Council's Statement of Accounts and associated reports.*

and

- (d) the Chief Executive be requested to execute his delegated powers to make, following consultation with the political group leaders, any adjustment to the number and allocation of seats to give effect to the rules on proportionality, and to make appointments to the Audit Committee in accordance with the nominations of the political group leaders.

**R.J. PHILLIPS  
CHAIRMAN  
STATUTORY ACCOUNTS COMMITTEE**

## **BACKGROUND PAPERS**

Agenda papers of the Meeting of the Statutory Accounts Committee held on 11th July, 2005.