

**AUDIT COMMITTEE MEMBERSHIP****Report By: Principal Audit Manager****Wards Affected**

County-wide

**Purpose**

To inform Members on the membership of the Council's Audit Committee.

**Financial Implications**

None.

**Reasons**

The CPA Use of Resources highlights the criteria for judgement in relation membership of the Audit Committee as:

- There is an Audit Committee, which is constituted as a full committee of the Council and is independent of both the Executive and Scrutiny functions (Level 4).

**Background**

1. The Audit Committee within Herefordshire Council is developing and it will take time for it to fully meet the needs of the Members and comply with the Use of Resources criteria.
2. The CIPFA Guidance on Audit Committees has set out criteria for membership of Audit Committees.

**Considerations**

3. A previous report to the Audit Committee highlighted that Cabinet Members and Strategic Monitoring Committee Members were on the Audit Committee, which was not in line with the guidance requirement that Audit Committee Members need to be sufficiently independent of other key committees of the Council.
4. The gap analysis also highlighted that the Chairman of the Audit Committee is also involved in the Council's scrutiny function as the Chairman of the Community Services Scrutiny Committee. This is not in line with good practice either.
5. However it should be noted that the Council's Audit Commission Manager informed the last Audit Committee that he had a flexible approach to membership of the Audit Committee as long as it was functional and worked for Herefordshire.
6. At the request of the Audit Committee the Principal Audit Manager has contacted

other audit colleagues at other local authorities enquiring about the make up of their Audit Committees (Appendix 1 refers).

7. Including Herefordshire Council there were 11 authorities with Audit Committees. The analysis showed:

Number with Executive Members included	7
Number with Scrutiny Members included	9
Number with Executive and Scrutiny Members included	7
Number with no Executive or Scrutiny Members included	2

8. The number of Members on Herefordshire's Audit Committee is in line with the numbers for other authorities.
9. In addition the Cabinet Member (Resources) attends in an ex-officio capacity.
10. Members will need to consider the change of Chairman following the next election in May 2007 and the possibility of an external Chairman if an appropriate person can be found.
11. Group Leaders may wish to change their group representation, although some consistency preferred between now and May 2007 in order to help establish the Audit Committee.
12. Of the eight identified Chairmen of Audit Committees none had Executive responsibilities, with 4 having Scrutiny responsibilities.

## **Risk Management**

Non-compliance with the Guidance could impact adversely on the Councils target of getting a Level 4 for Internal Control in its CPA Use of Resources Judgement Assessment in 2007.

## **Recommendation**

**THAT The report be noted and used to facilitate future Member discussions on the membership of the Audit Committee.**

## **BACKGROUND PAPERS**

CIPFA guidance on Audit Committees