



<u>Committee and Date</u>	<u>Item</u>
Council Date 24 th September 2020	
	<u>Public</u>

REVIEW OF THE CONSTITUTION TO PERMIT THE AUDIT COMMITTEE TO APPROVE THE FINAL ACCOUNTS PACK INCLUDING THE ANNUAL STATEMENT OF ACCOUNTS

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1. Summary

Currently the Council approves the Final Accounts Pack including the Statement of Accounts. This was traditionally undertaken in September but under 'faster closedown' this has, by necessity, in a normal year been brought forward to July each year. Given these statutory changes to the Government's timetable for closing Local Authority Accounts, it is proposed for the Audit Committee to approve the Statement of Accounts in late July. This approach is adopted at several other authorities and is recognised by the External Auditors. Audit Committee Members, at the meeting in February agreed to request this change to the Constitution to enable the responsibility to rest with them.

For this year, in response to changes to the timetable for closing Local Authority Accounts, the change will be applied to the extended timetable.

2. Recommendations

The Council is asked to consider and approve, with appropriate comment:

- a) That the Audit Committee be given responsibility for approving the Final Accounts Pack including the Statement of Accounts for the financial year 2019/20 onwards and the detailed changes to the Constitution proposed in. **Appendix A** are adopted.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Audit Committee currently considers and approves the Council's draft and audited Statement of Accounts pack before it is taken to Full Council for formal approval. Members of Audit Committee undergo a series of appropriate learning and development sessions in respect of their roles and responsibilities, to undertake their duties effectively and deliver them to a high standard, thereby adding to:
- the robustness of the risk management framework;
 - the adequacy of the internal control environment and
 - the integrity of the financial reporting and annual governance of the Council.
- 3.2 The shift of formal approval from a full Council Meeting to a committee meeting does not create significant governance risks for the authority. The approval of the Statement of Accounts pack by Audit Committee does not preclude any Member of the Council from attending the meeting, raising questions or concerns. Furthermore, the meeting will continue to be held in public.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, climate change or equalities requirements or consequences to this proposal.

4. Financial Implications

- 4.1 This proposed change does not create any additional financial implications for the authority.

5 Climate Change Appraisal

- 5.1 This proposed change is procedural and creates no additional climate change impacts.

6 Background

- 6.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2018 Edition, as providing those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial and internal control. Accounts and Audit (England) Regulations 2015 state 'the relevant authority must ensure that it has a sound system of internal control which; facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'. With a known work plan, and appropriate and timely learning and development for Members, the Committee will be well prepared and Members will gain the knowledge and experience needed to carry out their role effectively. Their skills will be compatible with approving the Final Accounts Pack including the Statement of Accounts.

- 6.2 Under current arrangements the draft and audited Statement of Accounts pack is taken to Audit Committee before formal approval at Council. Full Council is able to gain assurance from the robust manner in which Audit Committee Members currently review the Council's Statement of Accounts, Analytical Review, Annual Audit Letter and Annual Governance Statement. As a result, it is generally accepted that the formal approval of these documents at Full Council does not provide significant added value.
- 6.3 To enable the Audit Committee to approve the Council's Statement of Accounts Pack it is necessary to request a formal delegation from Full Council to approve the Final Statement of Accounts and accompanying documents annually each year in accordance with the statutory timetable.
- 6.4 Research across other councils has found this to be the practice in other Local Authorities, for example Telford and Wrekin, Herefordshire and Worcestershire. The External Auditor, Grant Thornton, have also been consulted upon this and have no objections. If members agree then changes to the Constitution as set out in **Appendix A** are requested and a change to the Audit Committee's Terms of Reference will be agreed in consultation with the Director of Finance, Governance and Assurance and the Chair to reflect the Constitutional changes sought.

Coronavirus and the 2019/20 Final Accounts process

- 6.5 For this year only, as a result of the Coronavirus, there has been an adjustment to the statutory timetable enabling draft accounts to be prepared at the latest by 31 August, instead of the 31 May. The date for final publication of the accounts and Annual Governance Statement has also been put back from 31 July to 30 November in England.
- 6.6 Officers have considered the impact of Covid-19 across the organisation alongside other time-critical pieces of work and have produced a revised timetable in consultation with External Auditors. The agreed proposal is to produce the draft Statement of Accounts by 10th July 2020. The External Auditors have confirmed their intention to complete the audit of the accounts by mid-September, early October 2020. This will enable Audit Committee and/or Full Council to approve the audited Statement of Accounts by 30 October 2020.
- 6.7 It is anticipated that these arrangements will not be replicated in 2021, with the assumption that the 2020/21 Statement of Accounts Pack will be produced in line with faster closedown; draft accounts produced by 31 May 2021, external audit completed in June and July, with the Audit Committee able to approve the Audited Statement of Accounts Pack by 31 July 2021.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition

Accounts and Audit Regulations 2015

The Accounts and Audit (Amendment) Regulations 2020 will amend the relevant sections of the Accounts and Audit Regulations 2015,

<http://www.legislation.gov.uk/new>

Cabinet Member (Portfolio Holder) Peter Nutting (Leader of the Council) and Peter M Adams (Chairman of Audit Committee)

Local Member n/a

Appendices

Appendix A – Proposed changes to the Constitution

Appendix A: 2020/21 Proposed changes to the Constitution

Part 3 – Responsibility for Council Functions, Page C7

Committee	Membership	Functions	Onward delegation of functions
Audit Committee	Members of the Authority	<p>To provide those charged with governance an independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance processes.</p> <p><u>To approve the Annual Statement of Accounts</u></p>	

Reference to Statement of Accounts in Financial Rules

FINANCIAL RULE 1 – FINANCIAL MANAGEMENT AND CONTROL

The Full Council (No change proposed)

3.2. Is responsible for:

F Approving the annual Statement of Accounts.

Audit Committee

3.8. Is responsible for approving the Annual Statement of Accounts and providing those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. It will review and monitor the robustness of the treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Responsibilities of Section 151 Officer (No change proposed)

A.4.7. To prepare and publish the audited accounts of the Council, with no qualifications, for each financial year, and with the requirement for the Council, to approve the audited Statement of Accounts and to publish this document in accordance with the statutory timetable.