

## MUNICIPAL YEAR 2019/20 - REPORT NO. 35

### MEETING TITLE AND DATE:

**Audit & Risk Management  
Committee: 19 June 2019**

### REPORT OF:

Director of Law and Governance

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<b>Agenda - Part: 1</b>	<b>Item: 3</b>
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**Subject: Audit and Risk  
Management Committee Protocol  
on the Draft Statement of Accounts.**

**Wards: N/A**

**Cabinet Member consulted:  
N/A**

### 1. EXECUTIVE SUMMARY

- 1.1 One of the key statutory responsibilities of the Audit & Risk Management Committee is to consider and approve the Council's Annual Statement of Accounts.
- 1.2 A review has been undertaken, designed to:-
  - (a) reflect changes introduced last year; and
  - (b) provide a set procedure for being able to raise queries, comments or objections to the Draft Statement of Accounts.
- 1.3 As a result of the review, a Protocol has been prepared (attached at Appendix 1) which clarifies the process for consideration of the Draft Statement of Accounts by the Committee and also provides guidance on the role of Members.
- 1.4 Audit & Risk Management Committee is being asked to approve the protocol which will become supplementary to the Member Code of Conduct and its Terms of Reference for this committee. It will be reviewed periodically by the Committee and may be updated at any time to secure compliance with legislation and Government guidance.

### 2. RECOMMENDATIONS

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| <p>2.1 The Audit &amp; Risk Management Committee approves the protocol guidance for consideration of the Draft Statement of Accounts.</p> |
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### **3. BACKGROUND**

- 3.1 The Audit & Risk Management Committee has a statutory responsibility to scrutinise the Draft Accounts. The process set down in the Accounts and Audit Regulations 2015 is as follows:
- 3.2 The Draft Statement of Accounts issued by the Executive Director Finance, Resources & Customer Services on 31st May. (Statutory deadline)
- 3.3 The Draft Accounts will be presented to Audit & Risk Management Committee, for initial comment and information, at the meeting on 20<sup>th</sup> June 2018. The agenda for this meeting is dispatched 5 working days in advance of the meeting, in line with the statutory requirements under the Access to Information Act, with a full copy of the Draft Accounts attached. Members will be offered the opportunity at the meeting to submit further questions and queries on the Draft Accounts outside of the meeting.
- 3.4 The draft statement of accounts and all relevant documents were made available for public inspection from 31st May, the period for the exercise of public rights.
- 3.5 Following the conclusion of the period for the exercise of public rights, members must consider the statement of accounts at committee, approve the statement of accounts by a resolution of that committee and ensure that the statement of accounts is signed and dated by the person presiding at the committee at which that approval is given. The responsible financial officer must re-certify the presentation of the annual accounts before member approval is given, confirming that they are satisfied that the statement of accounts presents a true and fair view of (a) the financial position of the Council at the end of the financial year to which it relates and (b) the Council's income and expenditure for that financial year, before it is approved.
- 3.6 The Audited Accounts have to be published by the 31<sup>st</sup> July (statutory deadline), and in advance of this date the Audit & Risk Management Committee will meet to consider and approve the Audited Statement of Accounts; Annual Governance Statement and Letter of Representation from External Audit. If approved, the chair of the Committee will sign off the Accounts at this meeting, prior to their publication. This meeting will take place on 6th July 2018. The Audited Statement of Accounts will be provided to Members as part of the Committee Agenda papers.
- 3.7 The protocol attached at Appendix 1 seeks to formalise the approach adopted in previous years and provide and guidance for members on their role in the process as members of the Audit & Risk Management Committee.

- 3.8 Section 3 of the protocol seeks to ensure that the Draft Accounts will be circulated in sufficient time to enable the Audit & Risk Management Committee members to consider them and ask questions. It also seeks to formalise arrangements for approval of the draft accounts at the Audit & Risk Management Committee Meeting to allow detailed scrutiny of the Draft Accounts and for queries or objections to be raised by members of the Committee. The protocol specifies that this meeting “will take place at least 21 days before the date on which the draft accounts are intended to be signed off as approved” as set down in Regulations.
- 3.9 The protocol goes on to provide a set procedure and timescale for members of the Committee to follow if they wish to raise a query or make an objection to the accounts, which is detailed in section 4 of the protocol. Under this process members will be required to raise the query or objection in writing prior to the meeting of the Audit & Risk Management Committee, where the matter will then be referred for consideration.
- 3.10 It is important to note that nothing in the protocol is intended to deprive any member of the Committee acting as an elector of their statutory rights to object, or to undermine the functions of the Audit & Risk Management Committee. In addition, further to a Member making a query or objection; if they are not satisfied with the outcome through the Audit & Risk Management Committee process, they may raise an objection directly with the Appointed External Auditor.
- 3.11 The aim of the protocol is to encourage effective scrutiny and avoid, wherever possible, duplication of queries or objections; duplication of work by the External Auditor and or the Audit & Risk Management Committee and delays in approval of the accounts.
- 3.12 Subject to any comments raised by Audit & Risk Management Committee, the protocol once approved will become a guidance document for members to use in relation to the consideration of the draft Accounts.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

None – the protocol has been designed to provide a clear process and timescale for consideration and approval of the Council’s Annual Statement of Accounts and to assist members of the Committee in terms of their role in this process.

#### **5. REASONS FOR RECOMMENDATIONS**

To provide a clear and transparent process for consideration and approval of the Council’s Statement of Accounts by Audit & Risk Management Committee and the role of its Members in this process.

#### **6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

##### **6.1 Financial Implications**

Adoption and implementation of the protocol will be undertaken within existing resources

## **6.2 Legal Implications**

The Council has duties within an existing legal framework for ensuring that its business is conducted lawfully and in accordance with proper standards. The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 prescribe requirements for the auditing of the accounts of local authorities and as part of this process, the Audit & Risk Management Committee must consider and approve the statement of accounts at committee.

## **6.3 Property Implications**

Not applicable

## **7. KEY RISKS**

The protocol will assist in providing a clear procedure and timescale governing Audit & Risk Management Committee's role in considering and approving the Council's Annual Statement of Account. The protocol is also intended to demonstrate best practice in corporate governance and enhance the Committee's performance in terms of its fiduciary responsibilities on behalf of the Council and in the conduct of its members.

## **5.1 Fairness for All & Strong Communities**

The protocol has been designed to increase transparency and openness in relation to the Council's decision making process around the Statement of Accounts and ensure the expectations on members are clearly defined.

## **6. EQUALITIES IMPACT IMPLICATIONS**

It has not been necessary to carry out an Equalities Impact Assessment in relation to this proposal.

## **10. PERFORMANCE MANAGEMENT IMPLICATIONS**

The protocol has been produced to assist the Council in managing its business in as efficient and effective a way as possible.

## **11. PUBLIC HEALTH IMPLICATIONS**

There are no specific public health implications arising from the proposals within this report.

## **Background Papers**

None

## **Appendix 1**

### **Audit & Risk Management Committee Member Protocol on the Draft Accounts**

#### **1. INTRODUCTION**

- 1.1 This protocol provides guidance as to how the Council envisages Councillors to conduct themselves in carrying out the business of the Audit & Risk Management Committee; to ensure the efficiency of The Committee and the effectiveness of its scrutiny.
- 1.2 The protocol provides clear timescales to ensure Members of the Audit & Risk Management Committee are able to raise queries or objections to the Draft Accounts.
- 1.3 The guidance will be publicised from time to time and will be made available to anyone on request. It will be reviewed periodically, and may be updated at any time to maintain compliance with legislation and Government guidance. A copy of the Code is supplied to every Councillor serving on the Audit & Risk Management Committee.

#### **2. CONDUCT OF AUDIT & RISK MANAGEMENT COMMITTEE MEMBERS**

- 2.1 This Code is supplementary to the Members' Code of Conduct (the Members' Code) adopted by Council on 27 June 2007.
- 2.2 Council members are required to use Council time and resources prudently, and should avoid causing the Council or any of its Committees, employees or representatives to incur unnecessary cost or expense or suffer unnecessary delay in the performance of its functions.

#### **3. FUNCTION OF THE AUDIT & RISK MANAGEMENT COMMITTEE AS TO THE SCRUTINY OF THE DRAFT ACCOUNTS**

- 3.1 The Audit & Risk Management Committee has a statutory responsibility to consider and approve the Audited Statement of Accounts. Accordingly:
  - a. Each year the Draft Accounts will be circulated in sufficiently good time to enable Audit & Risk Management Committee Members to consider them and to give an opportunity to ask questions and raise an objection.
  - b. A meeting will take place to allow such scrutiny to take place and to receive any queries or objections. That meeting will take place at least 21 days before the date on which the Audited Statement of Accounts are intended to be signed off as approved.

- c. Any member wishing to make a query or objection to the Draft Accounts should do so by the following procedure set out in 4.1 below.
- 3.2 Further to a member making a query or objection; if they are not satisfied with the outcome through the Audit & Risk Management Committee process they can raise an objection directly with the External Auditor.

#### **4. QUERY OR OBJECTION TO DRAFT ACCOUNTS**

- 4.1 Any Member wishing to make any query or objection to the Draft Accounts should do so by the following procedure:
- a. To raise any queries or objections they propose to make in Committee by putting that query or objection clearly and fully in writing and serving it on the section 151 officer before the meeting referred to in 3.1 above.
  - b. To do so in sufficient detail to enable the External Auditor and the Audit & Risk Management Committee to discern whether the query or objection is, or is potentially, of substance and requires further investigation, or is frivolous or vexatious or otherwise capable of a summary response, and to identify at or by the time of the said meeting what impact if any the query or objection, and consideration of it will have on the timetable and to identify what further steps might be required before the Draft Accounts could be approved.
  - c. To avoid duplication of queries or objections wherever possible, or needless duplication of work by the External Auditor, Corporate Finance Staff and / or the Audit & Risk Management Committee.
  - d. To raise any queries or objections politely, calmly and professionally and with respect for the office of External Auditor and the role of the Audit & Risk Management Committee.
  - e. Not to abuse the procedure by putting forward frivolous or vexatious queries or objections, late queries or objections, nor queries or objections which are likely unnecessarily to delay the approval of the accounts.
- 4.2 Nothing in 1-4 above:
- a. is intended to deprive any elector of his statutory rights to object;
  - b. is intended to cause or allow the functions of the Audit & Risk Management Committee to be undermined.
- 4.3 It is there to demonstrate best practice for corporate governance, to demonstrate its performance of its fiduciary responsibilities by preventing fraud and corruption, and to examine the accounts and examine the accounting process to ensure the accounts are satisfactory.