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**REPORT OF OVERVIEW AND SCRUTINY COMMITTEE**


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**MEETING HELD ON 27 APRIL 2004**


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Chair: \* Councillor Jean Lammiman

Councillors: \* Blann \* Marie-Louise Nolan  
 \* Mitzi Green Osborn  
 \* Ann Groves \* Pinkus  
 \* Ingram \* Thammaiah  
 \* John Nickolay (5) \* Versallion

\* Denotes Member present  
 (5) Denotes category of Reserve Member

**PART I - RECOMMENDATIONS**
**RECOMMENDATION I – Establishment of an Audit Committee**

The Committee received a report of the Executive Director (Business Connections), which outlined proposals to establish an Audit Committee. The report also set out the reasons for the proposals, options for the structure, and possible terms of reference for the Committee. Officers envisaged that the proposed Committee would need to meet three or four times a year. Members' views on the proposals were sought.

In response to Members' questions, further information was provided on the role of the proposed Committee. It was advised that the Committee would not only receive and consider the Council's financial statements, but would also be involved in ensuring that officers were taking appropriate action in response to issues raised in audit reports. An assurance was given that there would be no individual personal liabilities on Members of the Committee.

It was noted that training for Members of the Committee would be provided, but the extent to which such training would be useful, given the complexity of the issues to be considered, was queried. Officers suggested, however, that there was a need to differentiate between the role of the auditors and accountants who would report to the Committee, and that of the Members of the Committee who would be scrutinising auditors' reports. Though Members would be given a thorough grounding in the principles underpinning the issues under consideration, it would, to a certain extent, be a matter of using common sense to make sure that appropriate action was being taken in response to issues raised. There would be a role on the Committee for Members both with and without accounting expertise.

A Member was concerned that the Committee would still need advice from officers as to whether the responses to issues raised were adequate, and queried where that support would come from. It was advised that Internal Audit would be providing significant support to the Committee, and Members were reminded of Internal Audit's role of being independent and providing Members with an objective opinion.

Members discussed the three options for the structure of the Committee. With regard to the first option – to expand the terms of reference of the Overview and Scrutiny Committee to include the role of an Audit Committee – Members felt that the Overview and Scrutiny Committee already had a challenging workload, and would not have the capacity to take on additional functions, even if the proposed terms of reference were narrowed down. Nor did Members believe that setting aside part of Overview and Scrutiny Committee meetings for audit matters was workable.

With regard to the second option, the establishment of a Sub-Committee of the Overview and Scrutiny Committee, some Members expressed concern about the membership of the Sub-Committee. It was noted that Cabinet Assistants would be precluded from sitting on the Sub-Committee, as they would on any scrutiny body, and there was therefore concern that the membership of the Sub-Committee would have to be drawn largely from existing scrutiny Members, thereby increasing their workload. Although the Sub-Committee would not undertake review work like the other Scrutiny Sub-Committees, it would still place an additional burden on those scrutiny Members serving on it, due to the need to attend meetings and also undertake training. It was pointed out, however, that there were currently only 7 Cabinet Assistants who would be debarred from sitting on the Sub-Committee. In addition, the Chair suggested that the

establishment of a Sub-Committee would provide an opportunity to extend further the pool of scrutiny Members, by providing a role for Members not currently involved in either scrutiny or the Executive.

There was also some concern that a Sub-Committee would increase the workload of the officers dedicated to scrutiny. Officers anticipated, however, that the Committee would be directly supported by finance officers; any support from the Scrutiny Unit would be minimal.

It was noted that the third option, a stand-alone Committee of the Council, would be able to draw its membership from a wider pool of Members, including Cabinet Assistants. A Member queried whether individual Members of the Executive could also serve on such a Committee but it was advised that, while there were no statutory requirements that prevented this, there were some best practice issues, particularly around conflicts of interest, which made it undesirable. It was also noted that the third option was not recommended by officers, as the terms of reference of the proposed Committee were consistent with those of the existing Overview and Scrutiny Committee. It would not be desirable for the functions of a stand-alone Committee to be duplicated by the Overview and Scrutiny Committee; if such a Committee were established, this might therefore impact on the ability of the Overview and Scrutiny Committee to look at corporate governance issues.

It was agreed that there was a need for the Overview and Scrutiny Committee to give further consideration to the proposed terms of reference, whichever option was favoured.

Members were mindful that the authority to approve the statement of accounts had to be delegated to a Committee at Annual Council, as Council was not currently scheduled to meet again until October and there was a statutory requirement for the statement of accounts to be approved by the end of July. A Member queried whether a temporary ad-hoc body could be established to approve the accounts, as had happened last year, and it was confirmed that this was possible. Noting that this would enable the statement of accounts to be approved within the deadline but would also enable the Committee to give the proposed terms of reference further consideration, Members agreed that Council be recommended to establish an ad-hoc Committee with minimal terms of reference, as a temporary measure, and that this matter be brought back to the Overview and Scrutiny Committee for further discussion. Members were invited, however, to express a preference for one of the options at the meeting, and the majority of Members favoured the third option at that stage.

**Resolved to RECOMMEND:** (To Council)

That an ad-hoc Committee be established with the following terms of reference:

“To approve the Council’s Statement of Accounts”.

**REASON:** To improve the Council’s governance arrangements.

(See also Minute 165).