

FINAL ACCOUNTS COMMITTEE

30 June 2005

COUNTY COUNCIL

12 July 2005

ESTABLISHMENT OF A FINAL ACCOUNTS AND AUDIT COMMITTEE

Purpose of the Report

1. To ask the Final Accounts Committee to consider a proposal that its terms of reference be extended to incorporate governance, internal control and audit matters which are the responsibility of the County Council. To request approval from the County Council for this change in the terms of reference of the committee and approve a name change to the Final Accounts and Audit Committee.

Background

2. The importance of corporate governance and internal control across the public sector has increased significantly in recent years. In common with all other authorities, the County Council publishes a Statement on Internal Control (SIC) each year. The impact of the new CPA 'Use of Resources' standard anticipates reinforced corporate governance arrangements, incorporating internal control and risk management, with specific Member involvement.
3. Both the SIC and the CPA requirements require evidence that we have sound processes in place to ensure an effective internal control environment is maintained. These processes include assurances obtained through the audit function (both internal and external), and appropriate reporting to Members. This could be achieved by establishing the equivalent of an audit committee, whose terms of reference would incorporate receiving reports, information and assurances on internal control and other audit issues arising from the audit process.

Main Considerations for the Council

4. The Standards Committee currently has responsibility for oversight of internal and external audit. However, in its Annual Audit and Inspection Letter for 2004, the Audit Commission referred to its review of Internal Audit, in which it recommended that the Council should establish an appropriate, delegated, politically balanced committee representing 'those charged with governance' for dealing with internal audit issues. This is supported by, the CIPFA Code of Practice for Internal Audit, which, states that Internal Audit must report to those charged with governance.

5. The Final Accounts Committee currently has responsibility for approving the annual accounts on behalf of the County Council. Its remit could be extended to act as the appropriate delegated committee for internal control and audit issues. This would need an amendment to the Committee's terms of reference to incorporate this wider role. If agreed this change would strengthen the Council's overall governance arrangements. Proposed draft terms of reference for this extension to the role can be found in the attached appendix.

Environmental Impact of the Proposal

6. No environmental impact has been identified from recommendations in this report.

Financial Implications

7. There are no additional costs arising from this proposal. Indirectly, however, the strengthening of the Council's governance arrangements could bring about improvements in internal financial control.

Reasons for the Proposal

8. To establish a Final Accounts and Audit committee to strengthen the Council's overall corporate governance arrangements, which will contribute to meeting the requirements of the CIPFA Code of Practice for Internal Audit, the CPA Use of Resources and the SIC.

Proposal

9. The Final Accounts Committee is asked to:
 - (i) approve in principle, subject to ratification by the County Council the extension of its role suggested by the Terms of Reference in the attached appendix to become a Final Accounts and Audit Committee,
 - (ii) request from the county council approval for the proposed change in responsibilities and name of the committee

MIKE PRINCE
County Treasurer

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Unpublished documents relied upon in the preparation of this Report:

Annual Audit and Inspection Letter, Audit Commission, 2004
Code of Practice for Internal Audit in Local Government in the UK, CIPFA, 2003

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