

STANDARDS COMMITTEE

15 September 2005

ESTABLISHMENT OF A FINAL ACCOUNTS AND AUDIT COMMITTEE

Purpose of the Report

1. To inform the Standards Committee that the County Council has approved an extension to the terms of reference of the Final Accounts Committee, to incorporate governance, internal control and audit matters, and has approved 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 require evidence that the County Council has 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. It was felt 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.
4. A further contributory factor was the Audit Commission's Annual Audit and Inspection Letter for 2004. This 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. Rather than create another separate committee, it was felt the best way forward was to extend the remit of the Final Accounts Committee, to enable it to act as the appropriate delegated committee for internal control and audit issues.

Main Considerations for the Council

6. The main consideration is to note that as a result of this change, the Standards Committee will no longer have responsibility for oversight of internal and external audit, and that both will henceforth report to the new Final Accounts and Audit Committee.

Environmental Impact of the Proposal

7. No environmental impact arises from issues raised in this report.

Financial Implications

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

Reasons for the Proposal

9. To inform the Standards Committee of the County Council's decision to establish a Final Accounts and Audit committee, in order to strengthen the Council's overall corporate governance arrangements, and thereby contribute to meeting the requirements of the CIPFA Code of Practice for Internal Audit, the CPA Use of Resources and the SIC.

Proposal

10. The Standards Committee is asked to:
 - (i) Note the establishment of the Final Accounts and Audit Committee
 - (ii) Note that as a result of this, the Standards Committee will no longer have responsibility for oversight of internal and external audit, and that both will henceforth report to the new Final Accounts and Audit 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