

REPORT

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Councillor Mrs Warrander : Cabinet Member for Resources

ESTABLISHMENT OF AN AUDIT COMMITTEE

1. Report Summary

- 1.1. The report recommends establishing an Audit Committee to include governance, audit and financial management matters which are the responsibility of the Council.

2. Background

- 2.1. The council has recently reviewed its corporate governance arrangements resulting in the Local Code of Corporate Governance. The Council has also reviewed its processes to support the annual Statement on Internal Control. Both of these reviews identified a need to develop a clear focus for governance and internal control at the Member level.

3. Current Arrangements

- 3.1. Cabinet currently carries out governance and internal control matters relating to internal and external audit and financial management. Under the Accounts and Audit Regulations 2003 these responsibilities lie with the full Council rather than the executive, although delegation can of course be made. Scrutiny Panels have not traditionally undertaken these functions and governance should be considered a separate matter from scrutiny functions.

4. Proposals

- 4.1. Detailed terms of reference and operational arrangements are set out in the attached appendix. In brief it is proposed to establish an Audit Committee (Panel) with eight members:

- Leader of the Cabinet or Deputy
 - Portfolio Holder Resources
 - Chair Resources Overview & Scrutiny
 - Chair Environment & Transport Overview & Scrutiny
 - Chair Community & Housing Overview & Scrutiny
 - Chair Planning & Economic Development Overview & Scrutiny
 - Chair Standards Committee (Independent person)
 - Vice-Chair Standards Committee
- } As observers

- 4.2. The Committee would report to Full Council. It is envisaged the Committee would meet four times a year with meetings timed to support key functions such as the review of the Statement on Internal Control. A change will be required to the Council's Constitution to support this.

5. Chairmanship

- 5.1. There appear to be two options for chairmanship of the Committee.

- 5.1.1. Chair Standards Committee (Independent Person) – this offers the advantage of truly independent leadership of the process, against this the committee would be lead by a chair with little experience of local government audit work.

- 5.1.2. Scrutiny Panel Chair or Vice Chair – this offers less independence in leadership terms, but it is much more likely that the chair would be familiar with local government audit work.

6. Recommendations

- 6.1. That Cabinet should recommend establishment of an Audit Committee to Full Council, and give its view on the issue of chairmanship.

7. Background Papers

Accounts and Audit Regulations 2003.

8. Implications

- **Financial** : None at this stage, however there may be a minor effect on members allowances in future.
- **Legal** : None at this stage
- **Personnel** : None at this stage
- **Community Safety** : None
- **Environmental Impact** : None
- **Council's Core Values** : Excellent service
- **Ward(s) Affected** : None
- **Consultation Undertaken** : Standards Committee 21st February 2005

Audit Panel – Draft Terms of Reference

Corporate Governance

1. Ensure that the Council's corporate governance arrangements are adequate and operating effectively in practice.
2. Considering the Council's Code of Corporate Governance and approving the annual review and statement.
3. Oversight of the Council's Constitutional arrangements and advising the Council of any changes that may be desirable.
4. Review of the policy and procedure for disclosure of information under the Public Interest Disclosure Act.

Financial Management

5. Ensuring that the financial management of the Council is adequate and effective.
6. Reviewing the Council's statement of accounts prior to approval by Full Council.

Internal Control

7. Ensuring that the Council has a sound system of internal control that facilitates the effective exercise of the Council's functions including arrangements for the management of risk.
8. Ensure a review of the effectiveness of the Council's system of internal control is conducted at least annually in accordance with proper practices.
9. Receive the annual report on the internal control environment from Internal Audit.
10. Conduct an independent review of the draft Statement on Internal Control and supporting evidence and recommend approval.

Internal Audit

11. Approving the terms of reference and strategy for Internal Audit.
12. Approving the strategic internal audit plan and consideration of the audit needs assessment and resources available.
13. Receiving half yearly and end of year reports on progress in delivering the annual internal audit plan.
14. Receive summaries of reports issued by Internal Audit and monitor the implementation of recommendations.

External Audit

15. Consider the appointment of the external auditor as far as Audit Commission rules permit and monitor quality and performance of audit.

16. Commenting on the external audit plans.
17. Considering any matter arising from the audit of the accounts, or other audit and inspection work
18. Receiving and considering the external auditor's annual audit and inspection letter and other external audit reports.
19. Monitoring the implementation of recommendations from external audit.
20. Review the arrangements made for cooperation between Internal Audit, external audit and other review bodies to ensure effective use of the total audit resource.