

AUDIT COMMITTEE

20th January 2010

Audit Committee Statement of Purpose

Report of Internal Audit Manager

PURPOSE OF REPORT

To seek Members' approval for a statement of purpose for the committee.

This report is public

RECOMMENDATIONS

- (1) That the proposed statement of purpose is approved.

1.0 Introduction

- 1.1 The Audit Committee's terms of reference include at §8.20 *"To approve a Statement of Purpose for the Audit Committee"*. Whilst the terms of reference set out the specific responsibilities of the committee, an overall statement of purpose has not yet been adopted.

2.0 Report

- 2.1 The Audit Committee's terms of reference are substantially based on those suggested in the publication *"Audit Committees – Practical Guidance for Local Authorities"* (CIPFA, 2005)¹. The publication recommended that there should be a formally approved statement of purpose along the following lines:

"The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process."

- 2.2 Whilst this generic definition captures the essence of an audit committee's purpose, it is felt that, in relation to this council, it can be improved in the following ways:
- a) by referring to responsibilities regarding corporate governance within the council; and
 - b) through greater clarity about the scope of its scrutiny of performance.

¹ Chartered Institute of Public Finance and Accountancy

2.3 The following statement of purpose is proposed:

“The audit committee’s purpose is to oversee and, independently of the Executive and Overview and Scrutiny function, provide the council with assurance of the adequacy of, its corporate governance arrangements including the risk management framework and the associated control environment. The committee reviews the authority’s exposure to and management of risk across all financial and non-financial activity, and oversees the financial reporting process.”

3.0 Details of Consultation

3.1 The council’s Section 151 Officer and Monitoring Officer have been consulted on the development of this statement.

4.0 Options and Options Analysis (including risk assessment)

4.1 The options available to the committee are to a) approve the proposed statement of purpose, b) propose further changes to the wording, or c) choose not to approve a statement of purpose.

4.2 Approval of a statement of purpose provides an opportunity to clarify and promote the committee’s remit and to complete its terms of reference.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

FINANCIAL IMPLICATIONS

None arising from this report

SECTION 151 OFFICER’S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None arising from this report

MONITORING OFFICER’S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Audit Committee – Terms of Reference

“Audit Committees – Practical Guidance for Local Authorities” (CIPFA, 2005)

Contact Officer: Derek Whiteway

Telephone: 01524 582028

E-mail: dwhiteway@lancaster.gov.uk

Ref: aud/comm./audit/100120ACSoP