

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 28 NOVEMBER 2006

AGENDA ITEM NO: 4

SUBJECT: AUDIT COMMITTEES - PRACTICAL GUIDANCE

Report of the Clerk and Chief Financial Officer

1. MATTER FOR CONSIDERATION

- 1.1. The practical guidance issued by CIPFA for Local Authority Audit Committees.

2. INFORMATION

- 2.1. At their last meeting Members received a presentation from the Audit Commission which included a reference to a document issued by CIPFA (The Chartered Institute of Public Finance and Accountancy) entitled 'Audit Committees: Practical Guidance for Local Authorities'.
- 2.2. Members asked for a copy to be circulated together with a summary for their information. The document is attached as Appendix A. Whilst the document runs to over 40 pages it is very brief in content. It states that Audit Committees are increasingly viewed as a critical component in the overall corporate governance process. They are not enshrined in legislation but are key as a source of providing assurance to the organisation in its arrangements for managing risks, maintaining an effective control environment and reporting on finance and other performance.
- 2.3. The essence of the document is set out in its Appendices 2 and 3 and it is recommended these are read in full:
 - 2.3.1. Appendix 3 is called a 'position statement on audit committees' and is itself effectively a summary of the main document. It sets out CIPFA's views on the requirements for an Audit Committee. These are mainly self explanatory although as stated the majority of the main document expands on them, for those who wish for further information.
 - 2.3.2. Most of the requirements identified have already been incorporated into the Authority's Audit and Governance Committee, including all of Appendix 1 of the document which merely sets out possible terms of reference.

2.3.3. Appendix 2 is a self assessment checklist for Members. Whilst some of questions are too early in the life of the committee it is generally considered that the matters raised in the questionnaire are being suitably covered in the Authority's Audit and Governance Committee.

2.4. The document has been included on the agenda, rather than sent separately, to enable a discussion if required and to allow any questions Members may have to be answered at the meeting. It is expected that the Audit Commission will also be present at the meeting.

2.5. The document (in Appendix 3) contains a recommendation that any Audit Committee should adopt a statement of purpose. An example of a possible statement would be:

2.5.1. *The purpose of the committee is to provide independent assurance of the adequacy of the risk management framework and 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, to oversee the financial reporting process and to review all future external proposals which affect the legal, financial and administrative arrangements for the Authority or Executive.*

2.5.2. It should be pointed out that although such a statement is recommended by CIPFA it is virtually the same as the committee's approved terms of reference.

3. FINANCIAL AND LEGAL IMPLICATIONS

3.1. None directly arising from this report.

4. STAFFING IMPLICATIONS

4.1. None directly arising from this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1. None directly arising from this report.

6. RECOMMENDATIONS

6.1.1 That the guidance be noted.

**Clerk and Chief Financial Officer
West Yorkshire Passenger Transport Authority**