

REPORT OF STANDARDS COMMITTEE

(Meeting held on 12 May 2006)

1. ACCOUNT AND AUDIT (AMENDMENT) REGULATIONS 2006 AND NEW AUDIT ROLE (REPORT A).

The Committee has considered proposed amendments to its Terms of Reference, which would allow it to approve the annual Statement of Internal Control on behalf of the Council as required under new legislation, and to undertake the role of the Council's audit committee.

The 2006 Account and Audit (Amendment) Regulations modified the original Consolidating Regulations issued in 2003. These earlier regulations set out the responsibility of the Council in ensuring that its financial management was adequate and effective and that there were sound systems of internal control and risk management. The 2006 Amendments then imposed additional responsibilities and procedures on local authorities which further developed these existing duties. A second document, issued in March 2006 gave practical guidance on the setting up of an audit committee. Both documents form part of the general framework for corporate governance. The 2006 Amendment Regulations also require the Council to conduct a review of the effectiveness of its system of internal audit, at least annually, and that the findings of this review be considered as part of the system of internal control, within the Annual Statement of Internal Control.

In previous years the Statement had been prepared following approval of the annual report on corporate governance by the Standards Committee, and signed by the Leader and Chief Executive jointly. The new Regulations impose a duty for the actual Statement to be considered and ratified by either the Council or a Committee under delegated authority. It is proposed that the Standards Committee undertake this role on behalf of the Council and that the necessary changes to the Terms of Reference for the Committee be made to facilitate this.

Although legislation does not require the Council to have an audit committee, the Comprehensive Performance Assessment includes an assumption that a review of the audit arrangements will be conducted by members, as well as consideration of whether such arrangements are effective. It is therefore proposed that those functions come within the remit of the Standards Committee, instead of appointing another separate committee to carry out the function. It was acknowledged that this was in line with the developing role of the Standards Committee in the field of corporate governance.

RECOMMENDED:

- (i) That the Terms of Reference of the Committee be extended to include 'To approve the annual Statement of Internal Control on behalf of the Council'; and**
- (ii) That the Standards Committee's Terms of Reference be amended so that it can carry out the following audit functions on behalf of the Council:-**
 - (a) To review the effectiveness of the authority's risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements;**

- (b) To review the effectiveness of the authority's risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements;**
- (c) To monitor the action being taken on risk-related issues identified by auditors and inspectors;**
- (d) To consider whether the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;**
- (e) To consider an annual report which summarises the work of internal audit, for both the previous and following financial years, and the level of assurance it provides for the council's corporate governance arrangements;**
- (f) To consider reports dealing with the management and performance of the Council's internal audit service;**
- (g) To review reports from external audit and other inspection agencies, which support the corporate governance framework, and to make, where appropriate, recommendations to Cabinet;**
- (h) To review relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is promoted;**
- (i) To review the external auditor's opinion and reports and monitor action in response to the issues raised by external audit;**
- (j) To monitor the Council's policies on anti-fraud, anti-corruption and whistle-blowing.**

**Cllr J A G Hutchins
Chairman**