

**AGENDA MANAGEMENT SHEET**

**Name of Committee**                              **Audit and Standards Committee**

**Date of Committee**                              **5 June 2006**

**Report Title**                                        **Terms of Reference of the Committee**

**Summary**    To note the remit of the Audit and Standards Committee

**For further information please contact:**

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**Would the recommended decision be contrary to the Budget and Policy Framework?**                              No.

**Background papers**

- Local Authorities (Functions and Responsibilities) (England) Regulations 2000
- Local Authorities (Functions and Responsibilities) (Amendment) (England) Regulations 2006
- Report to Council – 9 May 2006

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

- |                           |                                     |  |
|---------------------------|-------------------------------------|--|
| Other Committees          | <input type="checkbox"/>            |  |
| Local Member(s)           | <input type="checkbox"/>            | N/a  |
| Other Elected Members     | <input type="checkbox"/>            | .....  |
| Cabinet Member            | <input type="checkbox"/>            | .....  |
| Chief Executive           | <input type="checkbox"/>            | Jim Graham   |
| Legal                     | <input checked="" type="checkbox"/> | David Carter – Strategic Director of Performance and Development (reporting officer) |
| Finance                   | <input type="checkbox"/>            | .....  |
| Other Strategic Directors | <input type="checkbox"/>            | .....  |

- District Councils  .....
- Health Authority  .....
- Police  .....
- Other Bodies/Individuals  .....

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

- Further consideration by this Committee  .....
- To Council  .....
- To Cabinet  .....
- To an O & S Committee  .....
- To an Area Committee  .....
- Further Consultation  .....

## Audit and Standards Committee - 5 June 2006.

### Terms of Reference

## Report of the Strategic Director of Performance and Development

### Recommendation

That the Terms of Reference be noted

#### 1.0 Background to establishment of new Committee (as set out in report to Council 9 May 2006)

The CPA Use of Resources Assessment has 4 levels. The Council is currently at level 3 for its systems of internal control. One of the requirements to move to level 4 is that there is an audit committee which is constituted as a full committee of the council and is independent of both Executive and Scrutiny functions. Cipfa guidance states that 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*'. It recommends that local authorities should formally approve a statement of purpose for the audit committee.

#### 2.0 Core Functions

The guidance also identifies the following as 'core functions' for an audit committee:

- Considering the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors
- Being satisfied that the authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it.
- Approving internal audit's strategy, plan and monitor performance

- Reviewing summary internal audit reports and the main issues arising and seek assurance that action has been taken
- Receiving the annual report of the head of internal audit
- Considering the reports of external audit and inspection agencies
- Ensuring there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
- Reviewing the financial statements, external auditor's opinion and reports to members and to monitor management action in response to the issues raised by external audit

### 3.0 Audit and Standards Committee –Terms of Reference

The terms of reference and composition of the Committee were agreed by Council at its meeting on 9 May. The terms of reference are set out below:

Function	Statutory Reference
1. Promoting and maintaining high standards of conduct by councillors, co-opted members and church parent governor representatives	Section 54(1)(a) Local Government Act 2000
2. Assisting councillors, co-opted members and church and parent governor representatives to observe the members' Code of Conduct	Section 54(1)(b) Local Government Act 2000
3. Advising the Council on the adoption or revision of the Members' Code of Conduct	Section 54(2)(a) Local Government Act 2000
4. Monitoring the operation of the Members' Code of Conduct	Section 54(2)(b) Local Government Act 2000
5. Advising, training or arranging to train councillors, co-opted members and church and parent governor representatives on matters relating to the Members' Code of conduct	Section 54(2)(c) Local Government Act 2000
6. Granting dispensations to councillors, co-opted members and church and parent governor representatives from requirements relating to interests set out in the Members' Code of Conduct	Section 81(5) Local Government Act 2000
7. Dealing with any reports from a case tribunal or interim case tribunal, and any report from the monitoring officer on any matter which is referred by an ethical standards officer to the monitoring officer	Sections 64(2), 66, 78(2), 79 and 80 Local Government Act 2000
8. Oversight of internal and external audit matters, the Councils arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity including,	Section 54(3) Local Government Act 2000

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|--|--|
| <ul style="list-style-type: none"><li>• approval of the internal audit strategy/plan</li><li>• review of financial statements, the annual accounts, the statement of internal control, and any opinions/reports of external or internal audit or inspection agencies</li><li>• assessing the effectiveness of the Council's control environment, risk management and corporate governance arrangements</li><li>• seeking any required assurances to ensure appropriate action is taken and</li><li>• monitoring performance in relation to any action required</li></ul> <p>and making recommendations to Cabinet and/or Council as appropriate where executive action is required</p> |  |
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