

Report to	-	Council
Date	-	15 May 2017
Report of the	-	Executive Director of Resources
Subject	-	Reference from the Audit Committee – outcome of merger proposals

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The Council is asked to consider the recommendations arising from the Audit Committee meeting held on 27 March as set out below.

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**Recommendation:** It be **RESOLVED:** That:

- 1) the Terms of Reference for the new combined Audit and Standards Committee at Appendix A be approved; and
  - 2) the Executive Director of Resources be authorised to make consequential amendments to the Council's Constitution.
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#### AU16/29. **OUTCOME OF MERGER PROPOSALS**

Consideration was given to the report of the Executive Director of Resources that advised on the membership, working arrangements and proposed training for the new combined Audit and Standards Committee being created from the new civic year, following the merger of the current separate Audit and Standards Committees.

The new Committee would comprise eight Members and in line with current practice for both the Audit and Standards Committees, its membership excluded Members of the Executive. The Parish and Town Representatives and Independent Persons currently appointed to the Standards Committee would only be invited to attend and contribute to meetings of the new Committee when standards related matters were being considered. If they remained for the Audit related items they would do so as members of the public and would be unable to address the Committee.

The new Committee would meet on four occasions during the year in line with the current Audit Committee timetable (March, June, September and December), with standards related matters being considered in June and December only, unless business dictated otherwise. A mock agenda setting out the two separate distinct functions was appended to the report.

Once the Membership of the Committee was known, appropriate training sessions would be arranged. It was noted that the first item on the Agenda for the June meeting included an introduction to standards which would give a general overview of the work of the Committee.

The Terms of Reference for the two distinct functions had remained the same and brought together in one document appended to the report for

clarity and formal ratification by full Council. Consequential amendments were also required to the Council's Constitution and it was requested that the Executive Director of Resources be granted authority to make the necessary amendments within the Constitution, where applicable, to reflect the new decision making structure.

The Committee also **RESOLVED:** That the outcome of the proposed merger of the Audit and Standards Committee with effect from the new civic year and the proposed working arrangements be noted.

(Audit Committee Agenda Item 6.6)

Malcolm Johnston  
Executive Director of Resources

# Audit and Standards Committee

**Membership:** 8 Members of the Council (excluding Members of the Executive).

## Audit Functions

### Functions and Delegations

#### Statement of Purpose

When carrying out the Audit functions and delegations, the purpose of the 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.

#### **Audit Activity**

1. To consider the Audit Manager's annual audit report and opinion, and a summary of internal audit activity.
2. To approve the internal audit strategy, plan and monitor performance.
3. To consider summaries of internal audit reports setting out the main audit findings and level assurance given to each area reviewed.
4. To consider reports from internal audit on agreed recommendations not implemented and consider their impact on the overall control environment.
5. To ensure there is an effective working relationship between external audit and internal audit.
6. To consider the external auditor's annual planning letter and comment on the scope and depth of external audit work and ensure it gives value for money.
7. To consider the external auditor's annual governance report regarding issues affecting the control environment and governance reporting.
8. To consider specific reports as agreed with the external auditor.
9. To consider the governance arrangements for the management and monitoring of the Council's significant partnerships.

#### **Regulatory Framework**

10. To maintain an overview of the Council's Constitution in respect of procurement procedure rules, financial procedure rules and codes of conduct and behaviour (other than the Code of Conduct for Members).
11. To review any issue referred to it by the Head of Paid Service, Executive Directors, or any council body.

12. To monitor the effective development and operation of risk management and corporate governance in the council.
13. To monitor council policies on 'Raising Concerns at Work' and the anti-fraud and corruption strategy and the council's complaints process.
14. To oversee the production of the Council's Annual Governance Statement and to recommend its adoption.
15. To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
16. To consider the Council's compliance with its own and other published standards and controls.
17. To ensure effective scrutiny of the treasury management strategy and policies.

## **Accounts**

18. To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. To agree the signing of the accounts following the review.
19. Approving the authority's statement of accounts, income and expenditure and balance sheet or records of receipts and payments (as the case may be). (The Accounts and Audit Regulations).
20. To consider the external auditor's annual governance report on issues arising from the audit of the accounts.

# **Standards Functions**

## **Functions and Delegations**

1. Duty to promote and maintain high standards of conduct by Members and Co-opted Members of the Council. [s27(1)]
2. Duty to adopt a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity [s27(2)] and including provision in respect of the registration and disclosure of
  - a) Pecuniary interest and
  - b) Interests other than pecuniary interests. [s28(2)]
3. Power to revise the existing Code of Conduct or adopt a replacement Code of Conduct. [s28(5)]
4. Duty to put in place arrangements to investigate and make decisions on written allegations that a Member or Co-opted Member of the Council has failed to comply with the Code of Conduct. [s28(6)]
5. Duty to appoint one or more independent persons for the following purposes:

- a) To give the Council views on any allegations it has decided to investigate, before a decision is reached;
  - b) At the discretion of the Council, to give the Council views on any other allegations; and
  - c) At the discretion of a Member, Co-opted Member or Member of a Town or Parish Council, to give the Member views on any allegations relating to the behaviour of that Member. [s28(7)]
6. Power to have regard to a Member's or Co-opted Member's failure in complying with the Code of Conduct, in deciding whether to take action in relation to that Member and what action to take.
  7. Power to make Standing Orders to provide for the exclusion of a Member or Co-opted Member of the Council from a meeting while any discussion or vote takes place in which that person may not participate. [s31(10)]
  8. Power to grant a Member or Co-opted Member a dispensation from the restriction on speaking and/or voting when any matter in which that person has a disclosable pecuniary interest is to be considered at a meeting of the Council or any of its committees, sub-committees, joint committees or joint sub-committees.
  9. Overview of complaints handling and Local Government Ombudsman investigations, including the power to make payments or other benefits in cases of maladministration etc. (Section 92 of the Local Government Act 2000).

## **NB**

1. Items 2, 3, 5 and 7 above can only be discharged by the full Council and cannot be delegated under s101 Local Government Act 1972. The role of the Audit and Standards Committee on these functions would be to make recommendations to Full Council in these matters.
2. It is proposed that function 8 is delegated to the Monitoring Officer in the first instance.