

AUDIT COMMITTEE

Financial Regulations and Audit Committee's Terms of Reference 18 June 2014

Report of Chief Officer (Resources)

PURPOSE OF REPORT

To advise the Committee of a proposed change in approach regarding responsibility for the Council's Financial Regulations to reflect the Accounts and Audit (England) Regulations 2011, and to seek authority for proposed revised Terms of Reference for the Committee to be referred to full Council for approval.

This report is public

RECOMMENDATIONS

1. That Members support in principle the proposals for the future responsibility for drafting, maintaining and approval of Financial Regulations and associated instructions and guidance.
2. That the proposed revised Terms of Reference for the Audit Committee are referred to full Council for approval.

1.0 Introduction

- 1.1 The terms of reference of the Audit Committee currently include: "*To consider and approve amendments to the Council's Financial Regulations and Contract Procedure Rules.*" (the Constitution, part 3 section 8, TOR 8.16).
- 1.2 The council's current Financial Regulations and associated Financial Procedures were originally approved by the Audit Committee in April 2002, with the most recent update (relating to project and capital programme management) being approved in September 2007.

2.0 Proposal Details

2.1 Financial Regulations and Procedures

2.1.1 Whilst revised Contract Procedure Rules (CPRs) were approved by the Audit Committee on 23rd January 2013, the current Financial Regulations remain due for a thorough review. As well as many references to individual posts and some elements of the organisation being outdated, there is a general need to modernise and refresh the regulations and tie them in with other ongoing reviews of the Constitution, in particular the recently updated Scheme of Delegation.

2.1.2 In support of the Financial Regulations and CPRs the Council has adopted an associated set of Financial Procedures (which currently also form part of the Constitution), as well as a wide range of separate financial policies and guides. To be effective, it is important that these sources of instruction and guidance are drawn together into a clear and cohesive structure and 'library' of information.

2.1.3 These proposals reflect requirements under the Accounts & Audit Regulations (England) 2011 that, "*subject... to any instructions given by a relevant body to its responsible financial officer, that officer must determine, on behalf of the body, its -*

- (a) *accounting records, including the form of accounts and supporting accounting records; and*
- (b) *accounting control systems,*

and such an officer must ensure that the accounting control systems determined by that officer are observed and that the accounting records of the body are kept up to date."

2.1.4 In essence, this establishes responsibility for the financial regulations with the Chief Officer (Resources) as Section 151 Officer, whilst recognising that the Council might choose to instruct that officer on particular matters, so long as any such instruction is itself consistent with the Accounts & Audit Regulations.

2.1.5 The Chief Officer (Resources), Financial Services Manager and Internal Audit Manager are currently reviewing the Financial Regulations and have been considering the most efficient and effective approach to managing the supporting documents. The proposed structure for the future is as follows:

Level	Document(s)	Status	Ownership and Approval
1	Financial Regulations	Organisational rules. High level statement of responsibilities for financial administration. Part of the Council's Constitution	Chief Officer (Resources) responsible for reviewing, updating and promoting the Regulations. Changes to be reported to Audit Committee for endorsement.
2	Standing Financial Instructions & Guidance	More detailed rules, procedural instructions and guidance in support of the Regulations	Responsibility for maintenance, approval and promotion rests with the Chief Officer (Resources)

2.1.6 Committee's support is sought for this proposal, with the drafting of a new set of Financial Regulations to be implemented on this basis. A target date of 30th September 2014 is proposed with the new draft Financial Regulations being submitted for the Committee's consideration at its meeting on 17th September 2014. Alongside this, all documents and information contributing to the level 2 Standing Financial Instructions and Guidance will be reviewed with a view to having a complete framework in place by 31st March 2015.

2.2 Audit Committee Terms of Reference

2.2.1 Drawing on the Accounts and Audit Regulations 2011, Members' responsibilities regarding the Regulations need to be reflected in revised wording of the Committee's terms of reference.

2.2.2 Additionally, the current terms of reference have now been in place for a number of years and are due for a general review and update. A number of the proposed changes reflect requirements arising from the Public Services Internal Audit Standards (PSIAS) which came into effect on 1st April 2013. The contents have also been re-ordered to provide a more meaningful grouping of clauses.

2.2.3 Appendix A sets out proposed new Terms of Reference for the Audit Committee, with the existing document appended for comparison.

2.2.4 Members are advised that, resulting from the Local Audit and Accountability Act 2014, and its abolition of the Audit Commission, local authorities will in future have more direct responsibility for appointing their external auditor. These changes will come into effect in the next two years and, as the Council's body with delegated authority for audit matters, will entail further changes to the Audit Committee's terms of reference

3.0 Details of Consultation

3.1 No specific consultation has been undertaken in compiling this report.

4.0 Options and Options Analysis (including risk assessment)

4.1 The proposals are that the Audit Committee:

- a) supports the proposed approach to the drafting of Financial Regulations and the supporting framework of financial instructions and guidance; and
- b) accepts and refers to full Council the proposed revision to the Committee's Terms of Reference

4.2 There are no obvious alternatives at this point. Members of Audit Committee could make suggestions as to the development of the proposed framework, in which case officers may need further time to consider their implications. In any case, at the September meeting, the Committee will have the opportunity to consider the new-look Financial Regulations, and at that time, it would have the opportunity of considering any appropriate instructions to the Section 151 Officer.

5.0 Conclusion

5.1 The Council's Financial Regulations are in need of review and update. The proposals in this report aim to establish more efficient procedures for the future maintenance of Financial Regulations and associated instructions/guidance, taking account of the current legislative requirements.

- 5.3 The Proposed new Terms of Reference for the Committee reflect these proposals and incorporate a number of other updates made necessary by organisational and professional developments in recent years.

CONCLUSION OF IMPACT ASSESSMENT

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

This report has no direct impact on these areas.

FINANCIAL IMPLICATIONS

None arising directly from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer is also the Council's Chief Officer (Resources), in whose name this report has been prepared; she has no further comments to add.

LEGAL IMPLICATIONS

The proposals are in accordance with the provisions of the relevant legislation.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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