

Full Council

17 July 2018



Report of: Director – Legal & Democratic Services
Interim Chief Internal Auditor

Title: Proposals for Revisions to the Terms of reference for the Audit Committee

Ward: Citywide

Member presenting report: Cllr Olly Mead, Chair of the Audit Committee

Recommendation

It is recommended that That Full Council:-

- i) Approve updated terms of reference for the Audit Committee and
- ii) Authorise the Monitoring Officer in Consultation with the Chair of the Audit committee to amend the Council's constitution accordingly.

Summary

An Audit Committee training workshop in July 2017 highlighted that the effectiveness of the Audit Committee could be enhanced by a fundamental review of its terms of reference.

This revision of the terms of reference is based upon best practice and the CIPFA Guidance on Audit Committees.

The significant issues in the report are:

- To propose more effective terms of reference for the Audit Committee.
- To note that the Terms of Reference provide for the Audit Committee to Establish a Values and Ethics sub-committee.



Policy

The Audit Committee is a key component of the Council's governance framework. Its function is to provide an independent and high level resource to support good governance and effective public financial management.

1. The purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.
2. Establishing a Values and Ethics Subcommittee to take over some of the functions previously undertaken by the Audit committee will support the Authority's duty under to promote and sustain high standards of conduct.

Consultation

3. **Internal**
Deputy Mayor, Monitoring Officer, Deputy Monitoring Officer, Section 151 Officer, Party Group Leaders
4. **External**
Not applicable.

Context

5. The Audit Committee, at its meetings held on 25 January and 2 May 2018 gave detailed consideration to proposals to revise its terms of reference.
6. The updated terms of reference are set out at Appendix A. The updated terms of reference group responsibilities into distinct headings for greater clarity, namely Audit Activity, Regulatory Framework, Accounts, Risk Management and Accountability Arrangements, and also includes Terms of reference for a Values and Ethics sub-Committee.
7. The report includes the requirement that the Audit Committee establish a sub-committee for the purpose of overseeing the arrangements for promoting high ethical standards within the council and for oversight of the process for dealing with complaints against members under the code of conduct and this may include recommending to full council, changes to the processes where that is felt to be appropriate.

Proposal

8. That Full Council approve the updated terms of reference and that the Council's constitution be updated accordingly.

Other Options Considered

9. None necessary

Risk Assessment

10. The need to independently review the risk, governance and control framework environment is pivotal to the effective operations of the Council's functions.

Failure to maintain and, where required, improve this environment will not only impact on the proper practices of the Council, but will also be in breach of the Accounts and Audit Regulations 2015 and may attract an adverse opinion from the External Auditor.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - tackle prejudice; and
 - promote understanding.
- 8b) No equality impact anticipated from this report.

Legal and Resource Implications

Legal

Legal implications

The new terms of reference for the Audit Committee will support the Local Authority's Best Value duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (Local Government Act 1999 as amended)

The proposal to establish a Values and Ethics Sub-committee is lawful and assists the Council to comply with duties under The Localism Act 2011 to promote and maintain high standards of conduct by members and co-opted members of the Authority, including the duty to make arrangements to ensure that there is a process in place to investigate and make decisions in respect of allegations against members.

Nancy Rollason
Head of Legal Service 4th July 2018

Financial

(a) Revenue

Not applicable.

(b) Capital

Not applicable.

Land/Property

Not applicable

Human Resources

Not applicable.

Appendices:

Appendix A – Updated terms of reference for the Audit Committee

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

"Audit Committees – Practical Guidance for Local Authorities and Police" – CIPFA 2013