

Audit Committee

26 July 2018



Report of: Director of Legal & Democratic Services (Monitoring Officer)

Title: Updated Audit Committee terms of reference and establishment of a Values & Ethics Sub-Committee

Ward: Citywide

Officer presenting report: Nancy Rollason, Deputy Monitoring Officer & Head of Legal Service

Recommendation

That the committee:

- i) Notes the updated terms of reference, approved by Full Council on 17 July 2018, for the Audit Committee including the requirement for the Committee to establish a sub-committee called the Values and Ethics Sub-committee
- ii) Resolves to establish a Values & Ethics Sub-Committee, in line with the above Full Council decision and request Democratic Services in consultation with the Chair and Vice Chair of the Audit Committee and the Monitoring Officer, to explore potential dates for an inaugural meeting.

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 was based upon best practice and the CIPFA Guidance on Audit Committees. Full Council has approved the revised terms of reference.

At the Audit Committee meeting on the 2nd May 2018 the Committee proposed that rather than establish a separate Values and Ethics committee, this could be a Sub-committee of the Audit committee. This has been approved by Full Council together with Terms of reference for the sub-committee.

The significant issues in the report are:

- To note the more effective terms of reference for the Audit Committee, and the terms of reference of the Values and Ethics sub-committee.
- To note that the terms of reference provide for the Audit Committee to establish a Values & Ethics

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.

The purpose of an Audit Committee is to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and financial and non financial governance processes.

Establishing a Values & Ethics Sub-Committee 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

- 1. Internal**
Deputy Mayor, Monitoring Officer, Deputy Monitoring Officer, Section 151 Officer, Party Group Leaders
- 2. External**
Not applicable.

Context

- 3.** The Audit Committee, at its meetings on 25 January and 2 May 2018 gave detailed consideration to proposals to revise its terms of reference. It also considered the proposed changes to the Constitution including establishing a Values and Ethics Committee. The Audit committee comment on the proposed changes was that rather than have a separate committee, a Value and Ethics sub-committee of the Audit committee be established. This was considered and accepted by Full Council at its Annual General Meeting on the 22nd May.
- 4.** 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. Full Council has approved these updated terms of reference.
- 5.** The report to Full Council included the requirement that the Audit Committee establish a Values & Ethics Sub-Committee for the purposes 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; this may include recommending, to Full Council, changes to the processes where that is felt to be appropriate.

Proposal

6. That the committee note the updated terms of reference and agree to establish a Values & Ethics Sub-Committee as per the details set out in Appendix A. It is envisaged that the committee will meet initially on an “as and when required” basis.

Other Options Considered

7. None necessary.

Risk Assessment

8. 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 implications:

The new terms of reference for the Audit Committee 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 16th 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, including terms of reference for the Values & Ethics Sub-Committee

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

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