Full Council

11 December 2018

Report of: Director – Legal & Democratic Services

Title: Proposal for Revisions to the Terms of Reference for the Audit Committee

Ward: Citywide

Member presenting report: Councillor Olly Mead

Recommendation

It is recommended that Full Council:-

i) Approve updated Terms of Reference for the Audit Committee and;
ii) Authorise the Monitoring Officer to amend the Council's Constitution accordingly.

Summary

Ongoing engagement by a group of Members is necessary to ensure that the Constitution is kept up-to-date and that where appropriate changes are made to make it more user-friendly. It is suggested that the Audit Committee regularly review proposed changes to the Constitution in order to make recommendations for amendments to Full Council.

The significant issues in the report are:

- To propose revised Terms of Reference for the Audit Committee.

Policy

1. 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.

2. 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.

3. Passing responsibility for reviewing the Constitution to the Audit Committee will contribute to the effective governance of the Council.

Consultation

4. **Internal**
Mayor and Party Group Leaders, the Head of Paid Service and the Monitoring Officer.

5. **External**
Not applicable.

Context

6. A Council's Constitution should lay the foundation for good governance and decision-making at the authority. It should be user-friendly and there is a legal obligation to keep it up-to-date.

7. A Working Group was set up in 2017 to review the Council's Constitution in recognition of the fact that there is scope for improvement, both in terms of user-friendliness and fitness for purpose. With the Working Group no longer meeting, we have reverted to amendments being made either via an annual review/vote at the Full Council AGM or the Monitoring Officer making minor changes in accordance with Article 17.02(c).

8. The nature of the Constitution is such that regular maintenance and ongoing development is beneficial in ensuring its smooth operation and it is important to have in place sustainable arrangements for ensuring that this can happen. Experience from other local authorities demonstrates that this can be achieved most effectively through the inclusion of the function within the Terms of Reference of a Committee, and following discussion with the Mayor and Party Group Leaders it is suggested that this responsibility sits with the Audit Committee. This enables the consideration of proposals by a cross party group of Members who over time will develop an in-depth understanding of the nuances of the Constitution.

9. The purpose of the proposals is to facilitate the regular maintenance and development of the Constitution in a consistent and focused way with appropriate safeguards and Member engagement. The Monitoring Officer will keep the Constitution under review and report to the Audit Committee with recommendations for consideration on a periodic basis. The Audit Committee will then make recommendations for changes to the Constitution to Full Council.

10. The updated terms of reference are set out at Appendix A.

Proposal

11. That Full Council approve the updated terms of reference and that the Council's Constitution is updated accordingly.

Other Options Considered

12. Not applicable

Risk Assessment

13. The risk is that the status quo is maintained and eschews the advantages afforded by regular maintenance and development of the Constitution in a consistent and focused way with appropriate safeguards and Member engagement.

Public Sector Equality Duties

14a) 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.

14b) No equality impact anticipated from this report.

Legal and Resource Implications

Legal

None directly arising from this report.

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:

None

Appendix A – Revised Terms of Reference for the Audit Committee (see paragraph 2.1)

Composition of the Committee

The Audit Committee comprises seven members of the Council and up to two independent members. The independent members are appointed by the committee. The Chair and Vice-Chair of the committee shall be confirmed by the Audit Committee as per committee procedure rules. A minimum of three councillor members of the Audit Committee will be present for the meeting to be deemed quorate.

The Committee may not appoint any person as an independent member who is an active member of any political party, defined as any person who engages in political activities which would not be permissible if that person was an officer holding a politically-restricted post within the Council. Independent membership may only be made if the person has particular knowledge or expertise in the functions for which the Committee is responsible.

The Committee will meet at least five times a year and will maintain the technical capability to discharge the Audit Committee responsibilities of the Council. The Chair of the Committee may convene additional meetings, as deemed necessary.

The Audit Committee may hold separate meetings with External / Internal Auditors without officer or executive representation. The Committee should hold at last one such meeting annually with External and Internal Auditors.

Objectives or Purpose

- 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 governance, the authority's exposure to risk and weakness of the control environment, and to oversee the financial reporting process.
- To review matters relating to Internal Audit, external audit, risk management, governance, assurance statements, anti-fraud and anti-corruption arrangements.
- To enhance and promote the profile, status and authority of the Internal Audit function and to demonstrate its independence.
- To contribute towards making the authority, its committees and departments more responsive to the audit function.
- To review compliance with the relevant standards, codes of practice and corporate governance policies of the Council.

1. Audit Activity

1.1 To approve the Internal Audit Charter and Strategy and monitor its progress.

1.2 To approve the Internal Audit annual plan of work and monitor unscheduled work that could potentially divert audit resources away from a plan, and monitor performance against those plans, ensuring that there are no inappropriate scope or resource limitations.

1.3 To suggest work for Internal and External Audit.

1.4 To consider the Annual Report and opinion of the Head of Internal Audit and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance arrangements prior to approving the Annual Accounts.

1.5 To oversee and provide assurance to the Council on the provision of an effective internal audit service and consider the main issues arising from summary Internal Audit reports, and seek assurance that action has been taken where necessary, particularly in areas of high risk.

1.6 To consider reports dealing with the management and performance of the Internal Audit function, including the external peer review and reports on the results of the Quality Assurance and Improvement Programme in order to gain assurance on the effectiveness of the Internal Audit function.

1.7 To monitor the implementation of agreed actions within reasonable timescales.

1.8 To consider the External Auditor's Annual Inspection Letter, relevant reports and the reports to those charged with governance in the process for the approval of the Annual Accounts.

1.9 To consider specific reports as agreed with the External Auditor to ensure agreed action is taken within reasonable timescales.

1.10 To comment on the scope and depth of the external audit work and to ensure it gives value for money.

1.11 To liaise with Public Sector Audit Appointments Limited over the appointment of the Council's External Auditor.

1.12 To consider the reports of inspection agencies relevant to the Council.

1.13 To undertake an annual review of the effectiveness of the system of Internal Audit.

1.14 To oversee the appointment / dismissal of the Chief Internal Auditor.

2. Regulatory Framework

2.1 To receive assurance reports on the effectiveness of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct and behaviour and to periodically consider proposed changes to the Constitution in order to make recommendations for amendments to Full Council.

2.2 To review any issue referred to it by the Head of Paid Service or Executive Director or any Committee of the Council.

2.3 To monitor the effective development and operation of risk management and corporate governance throughout the Council.

2.4 To monitor Council policies on whistleblowing and anti-fraud and anti-corruption policies, including the Council's complaints process.

2.5 To review the Council's Annual Governance Statement prior to approval, considering whether it properly reflects the risk environment and supporting assurances, and recommend its adoption for publication with the annual accounts, together with associated plans for addressing areas of improvement and advising the Council as appropriate.

2.6 To review the arrangements for corporate governance, including the Code of Corporate Governance, to agree necessary actions to ensure compliance with best practice and to recommend to Full Council as appropriate.

2.7 To review the Council's framework of assurance, for example Assurance maps, and ensure that it adequately addresses the risks and priorities of the Council.

2.8 To review the Council's compliance with its own and published national standards and controls.

2.9 To review assurances and assessments on the effectiveness of the Council's arrangements to secure value for money.

2.10 To review the assessment of fraud risk and potential harm to the Council from fraud and corruption and to monitor the use of resources to address fraud risk.

2.11 To report as appropriate to Full Council on issues which require their attention or further action.

3. Accounts

3.1 To approve 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.

3.2 To consider, in the context of approving the Accounts, the External Auditor's report to those charged with the governance issues arising from the audit of the accounts.

3.3 To review the Council's Treasury Management Strategy and policies, and make recommendations to Full Council for approval.

4. Risk Management

4.1 To consider the effectiveness of the Council's risk management arrangements including reviewing the Risk Management Policy and the Corporate Risk Register.

4.2 To provide assurance to the Council, in the Committee's Annual Report, on the effectiveness of risk management arrangements in place.

4.3 To seek assurances that action is being taken on risk-related issues.

4.4 To be satisfied that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

5. Accountability Arrangements

5.1 To report to Full Council on an annual basis on assurances received significant control issues, the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

Values and Ethics

The Audit Committee shall appoint a Values and Ethics Sub-Committee

Composition of Values and Ethics Sub-Committee

4 Elected members of the Audit Committee (one from each political group represented on the committee), and one independent member, chaired by an independent member.

Terms of Reference for Value & Ethics Committee

To deal with all matters relating to the ethical framework affecting members of the Council under Part 1 Chapter 7 Localism Act 2011 as amended and all other relevant legislation including regulations, directions and guidance. This shall include, but not be limited to:-

1. The promotion of the highest standards of behaviour by members of the Council, including the Mayor, councillors, independent members and co-optees.

2. Advising the Council on the adoption and operation of the Member Code of Conduct, making recommendations for change as the Committee sees fit.

3. Training all members in the operation of the Member Code of Conduct and ensuring it is well publicised both within and outside the Council.

4. The adoption, implementation and maintenance of a procedure for dealing with allegations of breach of the Member Code of Conduct; including monitoring and review and amending it from time to time as the Committee sees fit.

5. Dealing with allegations of Breach of the Member Code of Conduct, where these are referred to them by the Monitoring Officer, and the imposition of sanctions as appropriate in accordance with the law, the Council's Constitution and relevant procedures adopted by the Council.

6. Consideration of applications for dispensation to allow members to participate in consideration of matters in which they would, but for a dispensation, not be able to participate, in circumstances permitted by law.

7. To adjudicate on any dispute relating to the payment of Members' Allowances or expenses under the Members' Allowances scheme in force from time to time.

8. To review the Council's use of the powers available to it under the Regulation of Investigatory Powers Act 2000.

9. Conferring of Alderman/Alderwoman status and the criteria for such awards.

10. To lead on member development and enhance the role of members as city leaders and community councillors.

11. To review compliance of the Mayor and Councillors in terms of mandatory training.

12. To have oversight of the Register of Members' Interests.

13. All things necessary or in the opinion of the Committee appropriate to fulfil the role and remit of a Values and Ethics Committee as defined by law or the Council's Constitution.