

TITLE OF REPORT

Constitution Review Phase 2: Audit Committee Terms of Reference

AUDIT COMMITTEE
13 January 2021**CLASSIFICATION:**
Open**WARD(S) AFFECTED**

None

Tim Shields, Chief Executive

1. INTRODUCTION AND PURPOSE

- 1.1 The Council is undertaking a phased review of its constitution. The current focus of this activity is committee terms of reference.
- 1.2 The Audit Committee is asked to review its terms of reference alongside the best practice guidance issued by the Chartered Institute for Public Finance Accountants (CIPFA).

2. RECOMMENDATION(S)

- 2.1 It is recommended:
- 2.2 That the Audit Committee endorses the proposed changes to its terms of reference, as set out in appendix 3, prior to approval by full Council.

3. REASONS FOR DECISION

- 3.1 The Audit Committee holds a critical role in the governance arrangements of the local authority. It provides independent assurance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.
- 3.2 By adopting the best practice set out in guidance from CIPFA, the Audit Committee can be assured that it has a robust terms of reference to enable it to continue in this role.

4. BACKGROUND

Constitution Review

- 4.1 The terms of reference for council committees are set out in part 3 of the constitution
- 4.2 Phase one of the current constitution review completed in spring 2020. It identified a number of areas for future development. This included committee terms of reference. The second phase is now underway. The Constitution Review Group (CRG), which is an officer group responsible for researching and developing proposed changes, invited committee chairs and key officers to provide feedback on any changes they deemed necessary.
- 4.3 In inviting this feedback, the CRG set out the following:

A number of minor amendments have been raised as part of the review work undertaken so far. Some terms of reference would benefit from a refresh to take account of organisational and legislative changes. In addition, work

should be undertaken to ensure that terms of reference appear in a consistent format that models best practice.

Before commencing this work, the CRG will want to ensure that any feedback received is considered in line with some core principles. These are -

- *To take account of any views expressed by the relevant stakeholders (Chairs; lead officers and other participants as appropriate)*
- *To aim for a consistent layout and format across all committee terms of reference*
- *To take account of any recent legislative changes*
- *To model best practice and enable the committees to function effectively*

The proposed review of terms of reference will not:

- *amend the core functions of any committee currently in operation*
- *amend the structure of the Council's committees*
- *alter the membership of any committee except where this is intended to take account of the organisational changes (for example the membership of the Council Joint Committee)*

4.4 The Committee Chair has met with key officers to review the CIPFA practical guidance for audit committees (**appendix 1**). This discussion has identified a number of revisions which are set out in **appendix 2**.

4.5 The Committee is invited to review these proposed amendments and consider any other changes it deems necessary. Comments will be referred back to the CRG as required.

4.6 It is proposed that the Committee terms of reference are referred to full Council by May 2021. This will ensure any changes are made are given sufficient time to embed prior to the local elections in 2022.

5 Policy Context

5.1 Appendix 1 sets out the policy and legislative context in which the Audit Committee operates. In the longer-term the Committee will want to consider the potential impact of the Redmond Review, which was published in September 2020. This has made a series of recommendations in relation to:

- external audit regulation
- smaller authorities audit regulation
- financial resilience of local authorities
- transparency of financial reporting.

These recommendations are with the Ministry of Housing, Communities & Local Government and the Committee will be briefed at a future date on further developments.

6 Equality Impact Assessment

6.1 Not applicable.

7 Sustainability

7.1 Not applicable.

8 Consultations

8.1 There is no obligation on the Council to consult regarding proposed changes to its constitution. This is not applicable.

9 Risk Assessment

9.1 By adopting a best practice model, there is minimal risk associated with a change to the Committee terms of reference.

10. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES

10.1 There are no financial implications arising from the proposed changes to the Audit Committee terms of reference set out in this report.

11. COMMENTS OF THE DIRECTOR OF LEGAL

11.1 Section 9P of the Local Government Act 2000 requires the Council to prepare and keep a Constitution. Article 15 of Part 2 of the Constitution places an obligation on the part of the Monitoring Officer to “monitor and review the operation of the Constitution to ensure that the aims and principles of it are given full effect” and to make recommendations for amendments in order to better achieve those purposes.

11.2 Article 15 also provides that changes to the Constitution (other than minor amendments consequential upon statutory or regulatory change, amendments which rectify errors or update arrangements consequential upon other external factors) require the approval of Full Council. In addition, where such changes do not relate to the operation of Scrutiny functions they will not have effect without the written consent of the Elected Mayor.

11.3 While the Committee cannot determine its own terms of reference, it is appropriate that the Committee review them to ensure that they align with current best practice, and that it is meeting its objectives with respect to its statutory functions.

APPENDICES

Appendix 1 – CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police 2018 Edition

Appendix 2 – Proposed amendments to the Audit Committee terms of reference.

BACKGROUND PAPERS

Description of document

Constitution Review Group Phase 2: Terms of Reference Review Core Principles

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