

Report to the Audit and Governance Committee



Report reference: ***AGC-012-2015/16***
Date of meeting: ***30 November 2015***

**Epping Forest
District Council**

Portfolio: **Governance**

Subject: **Audit and Standards Committee – Proposed Terms of Reference**

Responsible Officer: **Sarah Marsh** **(01992 564446).**

Democratic Services: **Gary Woodhall** **(01992 564470).**

Recommendations/Decisions Required:

- (1) The proposal to merge the Audit and Governance Committee with the Standards Committee be approved in principle;**
- (2) Comment on the proposed Terms of Reference for the Audit and Standards Committee;**
- (3) Consider the committee's role with regards to Treasury Management and the assurances it requires in this area;**
- (4) The views of the Standards Committee be sought on the matter: and**
- (5) The Constitution Working Group be asked to consider details of required constitutional amendments and report to the Council accordingly.**

Executive Summary:

Many local authorities have combined their Audit and Standards committees, especially as the workload of the Standards Committee has dwindled over recent years since the introduction of the Localism Act 2011. The proposal is to combine the Standards Committee with Audit and Governance and have a combined Terms of Reference that follows good practice from the Chartered Institute of Public Finance and Accountancy.

Reasons for Proposed Decision:

Members will be aware of the complete review of the Council's Constitution currently being undertaken by the Constitution Working Group. Now is a good time to undertake a fundamental review of the Audit and Governance Committee especially with the appointment of a new committee Chair and Chief Internal Auditor.

Other Options for Action:

Current arrangements with having a separate Audit and Governance Committee and Standards Committee could continue.

Report:

Merging Audit and Standards Committee

1. The main role of the Standards Committee is to promote and maintain high standards of conduct by members. Matters around member conduct at committee level are relatively light and three meetings in the last year have been cancelled.

2. The Council's Audit and Governance Committee is responsible for providing independent assurance of the adequacy of the Council's risk management framework and provides independent scrutiny of the authority's financial and non-financial performance. The Committee approves the financial statements and Annual Governance Statement and enhances public trust and confidence in the governance of the authority.

3. A number of other councils have combined audit and standards committees successfully, including Broxbourne and Harlow Councils, the main drivers for this being:

- Low complaint activity especially as the Monitoring Officer has delegated authority to seek to resolve a complaint informally where a formal investigation is not merited; and
- Similarities and synergies – both Committees deal with governance, probity and transparency of processes.

4. There is by law an independent person appointed by the Council who advises on standards issues but is not permitted to be a member of the committee. This requirement has been incorporated into the proposed Terms of Reference which states *'the Council is required to appoint at least one Independent person to advise on Standards relating to complaints who shall be invited to meetings in a non-voting capacity'*.

5. There is no requirement to have independent members although the Council can appoint independent members to committees and the current Audit and Governance Committee has two independent members, and this arrangement should continue as it is line with good practice. It should be noted that Harlow District Council does not have any independent members on their Audit and Standards Committee but Broxbourne Council has an independent Chair.

6. It is important the new committee considers Standards issues at each meeting so it is proposed to have standards as a standing item on its agenda

Proposed Terms of Reference

7. The newly merged Audit and Standards Committee would have the objective of making a positive contribution to the Council's governance and control environment. The proposed terms of reference articulates the Committee's wide remit including advising and reviewing the Council's arrangements for internal audit, internal control, risk management, financial management, standards and corporate governance. The Committee also has an important role in ensuring public money is spent wisely and providing assurance to the public that the council is complying with the law, has an effective control framework in place and provides quality services in line with corporate priorities.

8. The proposed Terms of Reference for the Audit and Standards Committee (Appendix A) draws on experience of merging the Audit and Standards Committee at Broxbourne and Harlow Councils and is based on model Terms of Reference for local authorities as detailed in the Chartered institute of Public Finance and Accountancy publication: Audit Committees -

Practical Guidance for Local Authorities and Police 2013 Edition.

9. The Audit and Governance Committee's current role regarding Treasury Management has been kept in but this committee should consider whether this would be better sitting with the Resource Select Committee.

10. Presently this committee receives three Treasury Management reports a year: an outturn report in September, a mid-term report in November and in February the Treasury Management Investment and Strategy Statements. If the Resource Select Committee received the latter report instead then it could be considered at the same time as the Resource Select Committee's portfolio budget review in February ahead of the Council approving the following year's budget.

11. This would then remove the need for the Audit Committee to meet in February, and reduce the number of meetings for the Audit and Standards committee from five to four a year. The Audit Committee need to assess what assurances they require regarding Treasury Management, as they do already when considering how they gain assurances over the council's governance, risk management and control frameworks.

12. Final approval for the merger of the Audit and Standards Committee will need to be sought from Council following formal consultation with the Standards Committee (and if required from the Resource Select Committee). Early indications from the Standards Committee indicate such a merger would be beneficial for the reasons outlined above.

13. The Constitution Working Group would be asked to review the proposed new merged Articles and report to Council accordingly.

Resource Implications:

There are no significant direct financial implications as the independent members are not remunerated. Expenses of attendance are paid and training will have to be provided.

Legal and Governance Implications:

The Council need not appoint a Standards Committee since the changes introduced by the Localism Act 2011, but must have a code of conduct and arrangements for dealing with any allegations of a breach of the code. In addition the Council must promote high standards of conduct by members. It is suggested it is appropriate to have a committee with standards of conduct in its terms of reference. A number of other councils now have combined audit and standards committees. There is now no requirement to have independent members although the Council can appoint independent members to committees and the current Audit and Governance Committee has two independent persons.

There is by law an independent person appointed by the Council who advises on standards issues but is not permitted to be a member of the committee.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group and the Council's Monitoring Officer.

Background Papers:

Chartered institute of Public Finance and Accountancy publication: Audit Committees - Practical Guidance for Local Authorities and Police 2013 Edition.

Risk Management:

The Audit Committee is a key part of the Council's governance arrangements in demonstrating that there is a continuous review of the Council's internal control and risk management systems.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date/Name	Summary of equality analysis
30/11/15 Chief Internal Auditor	The report is a review of the committee's Terms of Reference and has no equality implications.