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## **Audit and Governance Committee**

21 September 2009

Report of the Assistant Director of Resources (Customer Service & Governance)

### **Review of the Audit & Governance Committee's Terms of Reference (Articles & Functions)**

#### **Summary**

1. This paper asks Audit & Governance members to consider the addition of an independent adviser to the Committee as part of a review the Committee's Terms of Reference (TOR) as contained in the council's Constitution (described as Articles and Functions). The outcomes of this review will be reported at the December 2009 meeting of this Committee. The addition of an independent adviser would be in line with best practice set down by CIPFA and recent Audit Commission and CLG Select Committee recommendations in responding to the Icelandic Banking collapse. The current Articles & Functions are contained in the annex to this report.

#### **Background**

2. On 19<sup>th</sup> May 2009, members of the Committee attended a self-assessment session during which there was facilitated discussion around compliance with best practice standards for audit committees (CIPFA's 'Audit Committees - Practical Guidance for Local Authorities'). Part of the discussion focussed on membership and members expressed an interest in recruiting an independent member who could add experience to the Committee and a different perspective and form of challenge.
3. On 11<sup>th</sup> June the CLG Select Committee published its finding on local authority investments in Icelandic Banks. Annex B summarises the conclusions on local authority member scrutiny arrangements of treasury management, which states that audit committees are best placed to provide this scrutiny and should recruit an independent member to assist in this area. This is likely to emerge in revised CIPFA Codes of Practice for treasury management.
4. Due to provisions contained in the LGA 1972 and LG&HA 1989 the power to co-opt under those provisions does not cover Audit Committees if they have powers such as approval of the accounts. It is advised therefore that an adviser to the Committee on a non-voting basis is considered for appointment.

5. Should Audit & Governance wish to change the composition of the Committee and/or its terms of reference then this will need to be done by way of recommendation to full Council.

### **Consultation**

6. Members of the Committee were initially consulted as part of a self assessment session in May 2009. This report is a continuation of that consultation process.

### **Options**

7. Members can choose to retain the current form of membership for the Committee or consider the inclusion of one or more independent advisers.

### **Analysis**

8. Not relevant for the purpose of the report.

### **Corporate Priorities**

9. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

### **Implications**

10.
  - (a) **Financial** - There are no implications, unless the advisory position attracts expenses for attendance, but these are likely to be minimal.
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** - There are no implications
  - (d) **Legal** - There are no implications
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications
  - (g) **Property** - There are no implications

### **Risk Management**

11. In having no independent challenge within the Audit & Governance Committee, the council may not be seen to have in place adequate scrutiny of its internal control environment and governance arrangements. It will also fail to properly follow best practice requirements, and its Use of Resources score in future CAA assessments could be adversely affected.

## Recommendations

12.

- (a) Members note the intention to carry out a review of the Articles and Functions of the Audit & Governance Committee. Any revisions will be presented to the next Committee for onward approval to full Council, including any revisions resulting from recommendation (b) below.

Reason

*To ensure the Committee is aware of the work being undertaken and to ensure that a further report is included in the Forward Plan.*

- (b) Members consider and agree the addition of one or more independent advisers to the Audit & Governance Committee and the Articles be amended to reflect this requirement.

Reason

*To ensure that the composition of the Committee reflects and meet best practice and professional requirements.*

## Contact Details

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Report Approved



Date 11 September 2009

## Specialist Implications Officers

Head of Civic, Democratic & Legal Services

Wards Affected: Not applicable

All

For further information please contact the author of the report

## Background Papers:

None

## Annexes

Annex A - Extract from Constitution Parts 2 and 3C

Annex B – Extract from the CLG Select Committee Report – Local Authority Investments