

**AUDIT & STANDARDS COMMITTEE****Agenda Item 78**

Brighton &amp; Hove City Council

<b>Subject:</b>	<b>Review of the Effectiveness of the Audit &amp; Standards Committee</b>	
<b>Date of Meeting:</b>	<b>25<sup>th</sup> March 2014</b>	
<b>Report of:</b>	<b>Executive Director, Finance &amp; Resources and Monitoring Officer</b>	
<b>Contact Officer:</b>	<b>Catherine Vaughan</b>	
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<b>Ward(s) affected:</b>	<b>All</b>	

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Audit & Standards Committee came into being in its current form at the beginning of the 2012/13 municipal year. At its meeting on 21 January 2014 this committee received a report on the review of the Effectiveness of the Audit & Standards Committee. The feedback from that meeting and an additional assessment against new CIPFA guidance has been considered.
- 1.2 This report concludes the review and recommends actions.

**2. RECOMMENDATIONS:**

- 2.1 To note the findings of the Review of Effectiveness of the Audit & Standards Committee.
- 2.2 To agree the recommendations as set out in paragraph 3.11.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The Audit functions of this Committee relate to the Council's arrangements for the discharge of its powers and duties in connection with financial governance and stewardship, risk management and audit. The Committee makes recommendations to the Council, Policy & Resources Committee, Officers or other relevant body within the Council.
- 3.2 The Standards functions of this Committee seek to ensure that the Members, Co-opted Members and Officers of the Council observe high ethical standards in performing their duties. These functions include advising the Council on its

Codes of Conduct and administering related complaints and dispensation procedures.

- 3.3 The terms of reference as set out in the Council's constitution are included at Appendix 1.
- 3.4 In addition to the Councillors who serve on the Audit and Standards Committee, the Committee includes two independent persons who are not Councillors. They are appointed under Chapter 7 of the Localism Act, or otherwise co-opted, and act in an advisory capacity with no voting rights. In the terms of reference of this Committee a "Member" is an elected Councillor and a "Co-opted Member" is a person co-opted by the Council, for example to advise or assist a Committee or Sub-Committee of the Council.
- 3.5 There is no statutory obligation for a local authority to establish an audit committee. However there is a wide range of guidance and best practice which shapes and informs the operation of this committee including the Combined Code on Corporate Governance (2003) and the Good Governance Standard for Public Services (2004) and the Accounts and Audit Regulations 2011.
- 3.6 Following the enactment of the Localism Act 2011, there is no longer a statutory requirement to have a Standards Committee. However, section 27 of the Act requires local authorities to make arrangements to ensure high standards of conduct, to adopt a code of conduct for Members and to make arrangements for dealing with complaints against Members. It would be very difficult for a local authority to achieve the above without the support and guidance of a Standards Committee. The Council has options as to whether it sets up a stand alone dedicated Standards Committee or one that also has other functions, as is the case in Brighton & Hove. The existing arrangements whereby the audit and standards functions are dealt with by the same committee seem to be working well and it is not recommended that this be changed.
- 3.7 There is a range of guidance available on the effective operation of Audit Committees. At a workshop held on 29<sup>th</sup> November 2013 the Executive Director of Finance & Resources, the Monitoring Officer and Head of Law, the Internal Audit Manager and the council's Risk Manager met with the Chair Cllr Hamilton, Opposition Spokesperson Cllr Ann Norman and Cllr Sykes. They used the National Audit Office Audit Committee Self-Assessment Checklist to guide the discussions.
- 3.8 Key themes that emerged from that workshop included:
  - a shared view that key functions of the committee in relation to internal and external audit, the financial statements and the annual governance statement were well understood and properly discharged;
  - an acknowledgement of the value of the skills and expertise that had been brought into the committee by the independent persons;
  - agreement there had been some recent good practice in proactive agenda setting by members, for example requesting reports on whistleblowing arrangements, settlement agreements and follow up of recommendations

from member personal appeals panels and that this should be encouraged further;

- confirmation that some recent changes to the format and content of certain standard reports to the committee had been helpful including the Internal Audit Progress reports giving clearer information on the implementation of recommendations and more detail on fraud work and the Complaints reports giving information about all of the council's complaints activity not just those relating to Standards matters;
- a recognition that the council's anti-fraud and corruption work could benefit from a higher profile with the committee, following on from the presentation at the last meeting about the National Anti Fraud Network (NAFN) that the council hosts;
- a concern that the committee's role in understanding and influencing the organisation's culture in relation to governance and ethics was under-developed;
- a query about whether the size of Hove Town Hall Council Chamber was large relative to the numbers of members of the public attending the committee and that this alongside the room layout potentially mitigated against a more discursive and interactive style of meeting;
- a desire to review the training needs of members including mandatory training, briefings and presentations within committee meetings and the potential merits of accessing some externally provided training;
- a need to ensure that appropriate items were discussed in confidential Part II session where in order to enable a full understanding of the issues and frank discussions;

3.9 Those issues were discussed at the last Audit & Standards Committee meeting and members appeared to be in broad agreement although it was clear that continuing to meet in Hove Town Hall Council Chamber was strongly supported for openness reasons but that the room layout could be reconsidered. Members also talked about the personal role they can play in championing governance and ethics within their groups.

3.10 A further desktop self-assessment has been undertaken against the new CIPFA guidance for local authorities on Audit Committees. This is shown at Appendix 2, there is some overlap with the workshop findings including in relation to member training. There is some additional work recommended to consider the role the committee could play in relation to ensuring the council has adequate arrangements to ensure value for money and also a challenge about how the committee is held to account for its performance.

3.11 The recommended actions arising from this review are:

- set out in Appendix 2; and
- to ensure adequate coverage of the themes and issues identified in 3.8 when the committee's workplan for 2014/15 is agreed;

- for individual members to consider how they can best champion and influence governance and ethics outside of the formal committee meetings.

3.12 Following a recent Standards Panel hearing, the Committee at its last meeting agreed to endorse a cross-party Member working group, including at least one independent person, to review the current procedure for dealing with alleged breaches of the Members' code of conduct, and to report back to this committee. That report is elsewhere on this agenda.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

4.1 The current combination of Audit and Standards functions appears appropriate and effective and so consideration was not given to any alternative set of constitutional arrangements..

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

5.1 None undertaken.

#### **6. CONCLUSION**

6.1 The report concludes that the Council has an effective Audit & Standards Committee and recommends actions to ensure continuous improvement.

#### **7. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

7.1 There are no direct financial implications arising from this report but an effective Audit & Standards Committee is a key part of good corporate and financial governance.

*Finance Officer Consulted: Catherine Vaughan*

*Date: 13/3/2014*

##### Legal Implications:

7.2 Any proposals stemming from the Review of Effectiveness that affect the terms of reference of the Audit & Standards Committee or which are matters reserved to Council will have to be referred to full Council. The procedures for dealing with complaints are matters for the Committee itself to decide.

*Lawyer Consulted: Oliver Dixon*

*Date: 14/03/14*

##### Equalities Implications:

7.3 None identified

##### Sustainability Implications:

7.4 None identified

Any Other Significant Implications:

7.5 None identified

## **SUPPORTING DOCUMENTATION**

### **Appendices**

1. Terms of reference for Audit & Standards Committee
2. Self-Assessment against CIPFA checklist

### **Background Documents**

1. NAO Audit Committee Self Assessment Checklist
2. Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA 2013)