

**AUDIT & STANDARDS COMMITTEE****Agenda Item 61**

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>21 January 2014</b>		
<b>Report of:</b>	<b>Executive Director, Finance &amp; Resources</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. After 18 months of operation it is an appropriate time to consider the effectiveness of its operation. At its meeting on 21 November 2013 this committee received a report on the new Standards regime one year on. This report is not designed to re-open issues considered at that time, rather it is to consider how well the committee discharges its purpose, including how the meetings operate.
- 1.2 This report is designed to prompt discussion of a range of issues to inform a final set of proposals to come to this meeting on 25<sup>th</sup> March 2014 and to be taken into account when developing the committee's workplan for 2014/15.

**2. RECOMMENDATIONS:**

- 2.1 That the themes identified in the member workshop and set out at 3.7 be noted and discussed.
- 2.2 That a cross-party Member working Group be set up to consider the procedures for dealing with Member complaints.
- 2.3 That a final report/s with recommendations on the above be brought to the Audit & Standards Committee on 25<sup>th</sup> March 2014.

**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 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.
- 3.4 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.
- 3.5 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 seems to be working well and it is not recommended that this be changed.
- 3.6 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. Since that date CIPFA have published new practical guidance on the operation of local authority audit committees and this will be reviewed before the final report in March.
- 3.7 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;

3.8 Following a recent standards hearing panel on a Member complaint, the Panel agreed that there was a need to review some of the procedures and practices in the way we deal with complaints against Members. It is proposed that a small cross-party Member working group, including at least one independent person, be set up to review the current procedures and report back to the March meeting of the committee.

3.9 It is proposed that the the working group looks at all aspects of the complaints process, including good practice from other authorities, the status of the panel, role of the investigating officer and areas of the code that require clarification.

#### **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.
- 4.2 The practical guidance issued by CIPFA in December 2013 will be considered in the next phase of work and incorporated into the March report which may identify further issues for consideration.

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

- 5.1 None undertaken.

#### **6. CONCLUSION**

- 6.1 The report recommends further discussion and review on the key themes identified prior to final decisions being taken at a later date.

#### **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: 13/1/2014*

##### Legal Implications:

- 7.2 Any proposals coming out from the review that affect the terms of reference of the committee or 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: Abraham Ghebre-Ghiorghis  
2014*

*Date: 02 January*

##### Equalities Implications:

- 7.3 None identified

##### Sustainability Implications:

- 7.4 None identified

##### Any Other Significant Implications:

- 7.5 None identified

## **SUPPORTING DOCUMENTATION**

### **Background Documents**

1. NAO Audit Committee Self Assessment Checklist