

Audit and Governance Committee



Date of meeting:	14 January 2022
Title of Report:	Audit and Governance Committee Terms of Reference
Lead Member:	Councillor Dr John Mahony
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Ross Jago
Contact Email:	Ross.jago@plymouth.gov.uk
Your Reference:	AGTOR/01.22
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report provides the Audit and Governance Committee with the outcomes of a recent working group meeting. The report makes recommendations for improvements to the management of the Audit and Governance Committee to ensure a focus on core audit functions. Additional recommendations developed through discussion with the working group are provided for the committee's consideration.

Recommendations and Reasons

Members are asked to consider the following recommendations for approval -

1. That the Audit and Governance Committee move to a scheduled five meetings per year.

Reason: To ensure the required meeting time is available for members to adequately perform the core audit role.

2. That the Chair makes a report and on the activity of the Audit and Governance Committee to Cabinet on a half yearly basis and to Council on an annual basis.

Reason: This recommendation seeks to increase the profile and influence of the Audit and Governance Committee by providing regular updates and recommendations to Cabinet and an Annual Report to Council in line with CIPFA best practice.

3. That when considering areas of strategic risk the Audit and Governance Committee make recommendations to other parts of the Council's democratic governance structure.

Reason: This recommendation seeks to increase the profile of, and manage the committee's workload, through closer working with other parts of the democratic governance structure.

4. That the committee adopt the CIPFA model terms of reference outlined at appendix I with the inclusion of the overview of the council's family of companies (2.11) and the ethical framework (7)

Reason: This recommendation ensures that the committee can focus on its core functions and maintain strategic oversight of the operation of the Council's family of companies and ethical framework.

5. That the committee establishes a non-proportional subcommittee with responsibility for councillor, constitution, and civic issues, the ethical framework and electoral oversight functions.

Reason: This will enable the parent committee to remain focused on core audit issues and allow the Audit and Governance Committee to benefit from the input of councillors who hold a high level of knowledge and expertise in respect of constitutional issues.

6. That the number of independent members is maintained, but the requirement to have one independent member to remain quorate is removed.

Reason: The input of independent members will continue to be essential to the work of the committee. This recommendation will allow meetings to take place whilst providing independent members the flexibility to attend remotely.

7. Request that the Independent Remuneration Panel consider the allowances applicable to Independent Members.

Reason: Working group members recommend that the IRP review allowances applicable to Independent Members to ensure remuneration is appropriate to continue to attract high calibre candidates for independent roles across the Council's governance structure.

Alternative options considered and rejected

For the Committee to continue operating under the existing arrangements.

Rejected as issues have been identified which have the potential to negatively impact the effectiveness and efficiency of the committee.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective framing and execution of the committees work programme is vital to the delivery of the Plymouth and Corporate Plan by enabling the Council to exercise the scrutiny and challenge of its governance, finance, risk and audit processes.

Implications for the Medium Term Financial Plan and Resource Implications:

None arising specifically from this report.

Financial Risks

No implications identified.

Carbon Footprint (Environmental) Implications:

There are no environmental implications regarding this report.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

No other implications

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A								
B								

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: Giles Perritt											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 05/01/2022											
Cabinet Member approval: <i>[electronic signature (or typed name and statement of 'approved by email/verbally')]</i>											
Date approved: N/A											

AUDIT AND GOVERNANCE COMMITTEE REVIEW OF TERMS OF REFERENCE

JANUARY 2022



1. Introduction

- 1.1. On 17 December 2021 members of the working group established by the Audit and Governance Committee met to discuss issues concerning the future of the Audit and Governance Committee and its role and profile.
- 1.2. Members considered a desktop review of work the committee had completed over the last year. The review was completed using the CIPFA self-assessment tool for local authority audit committees.
- 1.3. Members also considered information on how the audit and governance role is delivered in other unitary local authorities and took account of the [Redmond Review](#).

2. Performance of the Audit and Governance Committee since changes in 2018.

- 2.1. The [CIPFA position statement](#) sets out the key principles that CIPFA recommends for audit committees operating in local government.
- 2.2. The self-assessment highlighted–
 - Whilst there is significant time dedicated to the audit function of the committee, the committee has been charged with additional responsibilities in respect of member development and civic functions which may not have sufficient committee time.
 - The role of the Audit and Governance Committee is understood by those most involved in the support of the committee and its members. The role and purpose is not sufficient known across the organisation.
 - The committee does not annually report an assessment of its performance nor does it publish an annual public report which demonstrates how the committee has discharged its responsibilities.
 - The current terms of reference do not identify the ethical framework (Code of Conduct), register of interests and standards regime as a function of the Audit and Governance Committee, as recommended by CIPFA.
 - Some important responsibilities sit outside of an audit committee's core purpose as defined by CIPFA, such as member training and development.
 - Members do receive induction training in core audit functions but ongoing development and training in the complexities of audit committee work is yet to be delivered.

3. Agenda management and profile

- 3.1. Members were assured that the Audit and Governance is a committee of the council, is treated as a committee under the Local Government Act 1972 and that the current position of the Committee within the committee structure is in line with guidance and legislation.
- 3.2. The members discussed a number of issues pertaining to the management of the committee including -
 - **Meeting frequency / Size of agendas** - Members reflected that the last year has seen a heavy work load for the committee and that elements of the terms of reference were not adequately reflected in the committee agendas

- **Remit and influence of the chair** – Members felt that the Chair should provide reports to both Cabinet and Council on a more frequent basis to raise the profile of the committee and exercise its influence.
- **Relationships with other parts of the governance structure** – Members felt that there would be benefit in working more closely with other elements of the council democratic governance structure such as scrutiny.
- **Recruitment and retention of independent members / Quorum** – members discussed the difficulties faced in recruiting people to serve as independent members. As the committee's quorum includes an independent member, some meetings have been cancelled due to lack of physical availability of independent members.

4. Recommendations

Recommendation	Reason
<p>That the Audit and Governance Committee move to a scheduled five meetings per year.</p>	<p>To ensure the required meeting time is available for members to adequately perform the core audit role.</p>
<p>That the Chair makes a report on the activity of the Audit and Governance Committee to Cabinet on a half yearly basis and to Council on an annual basis.</p>	<p>This recommendation seeks to increase the profile and influence of the Audit and Governance Committee by providing regular updates and recommendations to Cabinet and an Annual Report to council in line with CIPFA best practice.</p>
<p>That when considering areas of strategic risk the Audit and Governance Committee make recommendations to other parts of the Council's democratic governance structure.</p>	<p>This recommendation seeks to increase the profile of, and manage the committee's workload, through closer working with other parts of the democratic governance structure.</p>
<p>That the committee adopt the CIPFA model terms of reference outlined at appendix I together with the inclusion of the overview of the council's family of companies (2.11) and the ethical framework (7)</p>	<p>This recommendation ensures that the committee can focus on its core functions and maintain strategic oversight of the operation of the Council's family of companies and ethical framework.</p>
<p>That the committee establishes a non-proportional subcommittee with responsibility for councillor, constitution, and civic issues, the ethical framework and electoral oversight functions.</p>	<p>This will enable the parent committee to remain focused on core audit issues and allow the Audit and Governance Committee to benefit from the input of councillors who hold a high level of knowledge and expertise in respect of constitutional issues.</p>
<p>That the number of independent members is maintained, but the requirement to have one independent member to remain quorate is removed.</p>	<p>The input of independent members will continue to be essential to the work of the committee. This recommendation will allow meetings to take place whilst</p>

	providing independent members the flexibility to attend remotely.
Request that the Independent Remuneration Panel consider the allowances applicable to Independent Members.	Working group members recommend that the IRP review allowances applicable to Independent Members to ensure remuneration is appropriate to continue to attract high calibre candidates for independent roles across the Council's governance structure.

5. Time line

14 January 2022	Audit and Governance Committee consider recommendations set out above (4) and appendix 1/2.
24 January 2022	Council Approval of amended Audit and Governance Committee Terms of Reference (appendix 1)
4 February 2022	First sub-committee meeting.
February (tbc)	Further sub-committee meetings to address – <ul style="list-style-type: none"> • Code of Conduct (Ethical Framework) • Joint Committee and Outside Bodies governance • Any other outstanding issues
March (Tbc)	Audit and Governance Committee
21st March Full Council	Recommendations from Audit and Governance Committee

Appendix I

Proposed - Audit and Governance Committee Terms of Reference

1. Statement of purpose

- 1.1. Our Audit and Governance Committee is a key component of Plymouth City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2. The purpose of our Audit and Governance Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Plymouth City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- 1.3. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Committee Responsibilities

2. Governance, risk and control

- 2.1. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 2.2. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 2.3. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 2.4. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 2.5. To monitor the effective development and operation of risk management in the council.
- 2.6. To monitor progress in addressing risk-related issues reported to the committee.
- 2.7. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 2.8. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 2.9. To monitor the counter-fraud strategy, actions and resources.
- 2.10. To review the governance and assurance arrangements for significant partnerships or collaborations.
- 2.11. To approve and oversee the Council's strategic objectives across the Plymouth City Council family of companies and to support the development of companies in line with the Council's regulations and values.

3. Internal Audit

- 3.1. To approve the internal audit charter.
- 3.2. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 3.3. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

- 3.4. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 3.5. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 3.6. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 3.7. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the Quality Assurance and Improvement Program
 - reports on instances where the internal audit function does not conform to the Public sector internal audit standards (PSIAS) and local government application note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 3.8. To consider the head of internal audit's annual report:
 - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
 - The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 3.9. To consider summaries of specific internal audit reports as requested.
- 3.10. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 3.11. To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 3.12. To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations
- 3.13. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

4. External audit

- 4.1. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments or the authority's auditor panel as appropriate.
- 4.2. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 4.3. To consider specific reports as agreed with the external auditor.
- 4.4. To comment on the scope and depth of external audit work and to ensure it gives value for money.

- 4.5. To commission work from internal and external audit.
- 4.6. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

5. Financial reporting

- 5.1. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 5.2. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

6. Accountability arrangements

- 6.1. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 6.2. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 6.3. To publish an annual report on the work of the committee.

7. Ethical Framework

- 7.1. To promote and maintain high standards of conduct by Councillors and co-opted Members.
- 7.2. To assist the Councillors and co-opted Members to observe the Members' Code of Conduct.
- 7.3. To advise the Council on the adoption or revision of the Members' Code of Conduct.
- 7.4. To receive reports on the operation of the Members' Code of Conduct from the relevant sub-committee.
- 7.5. To advise on training arrangements for Councillors and co-opted Members on matters relating to the Members' Code of Conduct.
- 7.6. To grant dispensations, subject to other delegations, to Councillors and co-opted Members on requirements relating to interests set out in the Members' Code of Conduct.
- 7.7. To ensure arrangements are in place under which allegations of misconduct in respect of the Members' Code of Conduct can be investigated and to review such arrangements where appropriate.
- 7.8. To receive an annual report from the Monitoring Officer on local and national issues relating to ethical standards and to bring to the attention of Members any complaints.

Appendix Two

Constitution and Civic Sub-Committee – Terms of Reference

1. The Constitution and Civic Sub-Committee is established by the Audit and Governance Committee and is responsible for overseeing, monitoring, co-ordinating and implementing the Council's administrative (committee structure) and political business, including electoral matters.
2. In relation to the **Constitution**, the sub-committee will -
 - 2.1. Monitor, review and advise the Audit and Governance Committee on the efficiency of the Council's constitution.
 - 2.2. Make recommendations to the Audit and Governance Committee on ways that the constitution or any procedures or protocols relating to it could be amended in order to achieve the constitutions' purpose set out in Article One.
3. In relation to **electoral matters**, the sub-committee will -
 - 3.1. monitor, review and advise the Audit and Governance Committee on the efficiency of the Council's electoral arrangements.
4. In relation to **councillors learning, development and remuneration**, the sub-committee will -
 - 4.1. Support and deliver a councillor-led, strategic approach to member development.
 - 4.2. Monitor, advise on and promote councillor learning and development activities.
 - 4.3. Ensure that these activities are in line with the objectives and values of the Council's corporate plan.
 - 4.4. Consult with political groups (or individual members where they do not form part of a group) to ensure that appropriate learning and development opportunities are in place for all members.
 - 4.5. Evaluate the investment in councillor learning and development to assess achievement and improve future effectiveness.
 - 4.6. Oversee and monitor the Members' Allowance and Community Grants budgets and keep under review the scheme for the payment of allowances to Members through the Independent Remuneration Panel (established by legislation);
5. In relation to **outside bodies**, the sub-committee will -
 - 5.1. Develop guidance for members representing the council on outside bodies and consider requests for representation on outside bodies and organisations
6. In relation to **Civic Functions**, the sub-committee will
 - 6.1. make recommendations to the Audit and Governance Committee on civic issues, including those affecting the Lord Mayor and recommendations for the granting of civic honours to individuals and organisations.
7. In relation to the ethical framework the sub-committee will –
 - 7.1. Promote and maintain high standards of conduct by Councillors and Co-opted Members.
 - 7.2. Advise the Audit and Governance Committee on changes to the Code of Conduct.
 - 7.3. Monitor complaints upheld by the monitoring officer about Councillors and Co-opted Members.