

Resources Directorate
Town Hall, Upper Street
London, N1 2UD

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13 September 2022

Ward(s): N/A

Subject: Review of the Audit Committee Terms of Reference

1. Synopsis

- 1.1. The Terms of Reference of the Audit Committee are set out in the Council's Constitution and govern which matters are within the remit of the committee. It is best practice for terms of reference to be routinely reviewed to ensure that they are fit for purpose and compliant with the latest guidance.
- 1.2. This report proposes amendments to the Terms of Reference. The current terms of reference have been reviewed against the suggested Terms of Reference in the CIPFA document '*Practical Guidance for Local Authorities and Police (2018 edition)*', best practice from other London authorities, and have also been discussed with the Chair and senior officers in the Resources directorate.
- 1.3. The Committee is invited to consider the proposed amendments to the Terms of Reference. Subject to any comments from the Committee, the Terms of Reference will be submitted to a future Council meeting for formal approval.
- 1.4. It is proposed that the Terms of Reference of the committee's Sub-Committees are also reviewed. Any amendments will be discussed with the Chairs of the Sub-Committees and Chair of the Audit Committee and submitted to a future meeting for consideration.

2. Recommendations

- 2.1. To consider the proposed amendments to the Audit Committee Terms of Reference;
- 2.2. To note that any proposed amendments require formal approval at a future Council meeting;
- 2.3. To delegate authority to the Chair to finalise the proposed amendments prior to submission to Council for approval;
- 2.4. To note that the committee's future work plan will be reviewed by officers and the Chair to ensure that all aspects of the Terms of Reference are appropriately represented;
- 2.5. To note that the Terms of Reference of the Pensions Sub-Committee and Personnel Sub-Committee will also be reviewed and submitted to a future meeting for consideration.

3. Background

- 3.1. The proposed amendments to the Terms of Reference are set out at Appendix A. Proposed additions are indicated in green and underlined; proposed deletions are red and crossed-out.
- 3.2. Subject to the amendments being approved, the Council's Constitution will be reviewed to ensure that all references to the Audit Committee are updated accordingly.

4. Implications

4.1. Financial Implications

- 4.1.1. There are no direct financial implications associated with the proposed amendments. The revised Terms of Reference will support the Audit Committee in having effective oversight of the Council's financial governance.

4.2. Legal Implications

- 4.2.1. The proposed amendments to the terms of reference are lawful and have been made with reference to CIPFA guidance.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

4.3.1. There are no direct Environmental Implications associated with the proposed amendments.

4.4. **Equalities Impact Assessment**

4.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.4.2. An Equalities Impact Assessment is not required in relation to this report. This report focuses on governance matters and the recommendations do not have direct impacts on residents.

5. Conclusion and reasons for recommendations

5.1. The Committee is invited to consider the proposed amendments to the Terms of Reference, prior to submission to Council for approval.

Appendices:

- Appendix A – Proposed Amendments to the Terms of Reference

Background papers:

- None.

Final report clearance:

Signed by:

Corporate Director of Resources

Date: 31 August 2022

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APPENDIX A – PROPOSED AMENDMENTS TO THE TERMS OF REFERENCE

AUDIT AND GOVERNANCE COMMITTEE

Composition

- The membership of the committee shall not include any members of the Executive.
- The membership of the Audit Committee (Advisory) shall include two independent members. Independent members may vote on the 'Monitoring Functions' listed in the Terms of Reference.

Quorum

- The quorum shall be three members not including Independent members.

Statement of Purpose

1. Our audit committee is a key component of Islington 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.
2. The purpose of our Audit and Governance Committee is to provide assurance to members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
3. The Audit and Governance Committee will aid the achievement of the Council's goals and objectives through the effective oversight of the council's corporate governance arrangements.

~~Audit Committee (Advisory) functions~~

Monitoring Functions

To consider the following matters and to make recommendations concerning them to the relevant Council bodies or to officers:

4. The Head of Internal Audit's annual report and opinion and the level of assurance internal audit activity can give over the Council's corporate governance arrangements;
5. The external auditor's annual letter, relevant reports and the report to those charged with governance on issues arising from the audit of the accounts;

6. Reports dealing with the management, performance and value for money of the providers of internal and external audit services;
7. A report from internal audit on agreed recommendations not implemented within a reasonable timescale;
8. The appointment of the Council's external auditor;
9. Work to be commissioned from internal and external audit;
10. Specific internal and external audit reports as requested;
11. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies;
12. The external quality assessment of internal audit that takes place at least once every five years;
13. The contract procedure rules and financial regulations in the Council's constitution and the Council's compliance with its own and other published standards and controls;_
14. The arrangements to secure value for money in procurement and commissioning and to review assurances and assessments on the effectiveness of these arrangements;
15. To review the governance and assurance arrangements for formal partnership agreements, where this is not reserved for another body;
16. Any issue referred to it by the Council, Executive, Policy and Performance Scrutiny Committee or the Chief Executive relating to the audit or governance of the council's affairs;
17. The Council's arrangements for corporate governance and risk management and recommend necessary actions to ensure compliance with the good governance framework, including the ethical framework, Local Code of Corporate Governance, and best practice;
18. The effectiveness of the council's frameworks for programme governance and associated project management;
19. The production and content of the authority's Annual Governance Statement;
20. The assessment of fraud risks and potential harm to the council from fraud and corruption, and to consider strategies and actions to reduce such risks including a proactive fraud detection strategy;
21. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations;

22. The annual report from the Monitoring Officer concerning standards of member conduct, which shall include a summary of complaints received under the Code of Conduct Complaints Procedure and their outcome;

~~23. To note any termination of employment where the total payment including pension strain, discretionary redundancy payments and statutory redundancy payments exceeds £100,000 in total;~~

23. To approve any payment on termination of employment where the total payment including pension strain, discretionary redundancy payments and statutory redundancy payments exceeds £100,000 in total and the payment is not covered by the statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England.

(note: an amendment will also be required to the Terms of Reference of the Personnel Sub-Committee)

24. Any report on any matter relevant to the advisory functions of the Committee which the Committee may request from the Corporate Director of Resources or other proper officer.

~~Audit Committee~~ Decision-Making Functions

Audit related matters

25. To review and agree the annual statement of accounts, including considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or the audit that need to be brought to the attention of the council;

26. To adopt the authority's Annual Governance Statement;

27. To agree the Internal Audit Charter and Internal Audit Plan;

28. To agree annually the amount calculated by the Council as its tax base for the whole area of the borough, any tax base applying as special levies, and other matters associated with the tax base.

General Matters

~~29. To appoint a Personnel Sub-Committee, including approval of its terms of reference and membership. Members of the committee will be the Leader of the Council, the Executive Member with responsibility for Human Resources, and three ordinary member positions, one of whom will be appointed as Chair by the Audit Committee. All other Executive Members will be appointed to act as substitutes for the Committee, with the relevant Executive Member joining the Committee depending on the appointment being made. There will also be 5 ordinary member substitutes, one of whom will be the Chair of Audit Committee;~~

(note: It is proposed for this section to be incorporated into the Personnel Sub-Committee Terms of Reference)

30. To appoint a Pensions Sub-Committee;

31. To ensure that the Chair of the Audit and Governance Committee has appropriate access to the Head of Internal Audit on matters within the committee's terms of reference;

~~To appoint such other sub-committees or other bodies, including their membership and terms of reference, as the Committee deems from time to time appropriate.~~

~~To grant exemptions under section 3 of the Local Government and Housing Act 1989 from political restriction to holders of posts under the Council and to give directions as to inclusion of specified posts in the list maintained by the Council under section 2(2) of that Act.~~

32. To make appointments to Outside Bodies (e.g. partnership boards and local charitable and community organisations) between council meetings ~~to those outside bodies and panels appointed to by the Council~~ under Part 3 paragraph 7.2.

33. To determine the following matters relating to the organisation and conduct of elections ~~including the following:~~

- i. division of the constituency into polling districts;
- ii. division of the borough into polling districts;
- iii. other matters referred to the Committee by the Head of Electoral Services.

34. To regulate matters affecting members, including remuneration, expenditure and training and to promote high standards of conduct amongst members.

35. To receive an annual report on the Council's usage of its powers under the Regulation of Investigatory Powers Act (RIPA);

36. ~~To recommend to Council~~ To consider matters related to the introduction, amendment or revocation of byelaws and to make recommendations on byelaws for Council to formally approve, as required;

37. To take decisions on any matter within the terms of reference ~~of any of its sub-committees~~ of the Pensions Sub-Committee or the Personnel Sub-Committee where the ~~proper officer~~ Monitoring Officer considers that it is necessary and reasonable to do so.

~~38. All other non-Executive matters specified under the relevant legislation save for those which are delegated to officers (unless the relevant Corporate Director refers the matter to the committee) or are reserved to the Council under paragraph 1 of Part 3 of this Constitution or to the Licensing Committee or Licensing Regulatory Committee and Planning Committees.~~