

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit and Risk Committee    **DATE:** 12<sup>th</sup> March 2015

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**WARD(S):** All

### **PART I** **FOR DECISION**

#### **Proposal to merge Audit and Risk and Standards Advisory Committee**

##### **1. Purpose of Report**

To consider merging the Council's Audit and Risk Committee (ARC) and Standards Advisory Committee (SAC) into an Audit and Corporate Governance Committee (ACGC).

##### **2. Recommendations to Council**

- (a) That the Standards Advisory Committee be disbanded and its terms of reference subsumed into the terms of reference of the Audit and Risk Committee with effect from the Annual Council meeting in May 2015.
- (b) That the Audit and Risk Committee be renamed the "Audit and Corporate Governance Committee".
- (c) That Article 9 of the Constitution (Standards Advisory Committee be deleted and subsequent Articles re-numbered).
- (d) That existing Article 10 (Audit and Risk Committee) be amended as shown in Appendix 1 and the terms of reference and working arrangements of the Committee therein be approved.
- (e) That the membership of the Audit and Corporate Governance Committee comprise\*:
  - Six councillors (politically balanced) (not the Leader, Mayor or Deputy Mayor, Chairs and Vice Chairs of Planning and Licensing Committee and Group Leaders\*)
  - Up to four co-opted (non-voting) independent members
  - The Council's Independent Person (as an observer).

\* executive members limited to one

\*one Member from each of the three Parish Councils in the Borough to be invited to attend and speak at the Committee if it is considering a report relating to changes to the Code of Conduct

(f) That the existing independent members on the Audit and Risk and Standards Advisory Committees be appointed to the ACGC for the 2015/16 municipal year as follows

Mr G Davies  
 Mr R Roberts  
 Mr A Sunderland  
 Mr A Kwatra

(g) That a Standards and Determination Sub Committee be appointed by the Committee with membership, terms of reference and operating procedures as set out in Appendix A.

(h) That the Head of Democratic Services make any consequential administrative amendments to the Constitution.

### 3. **Slough Joint Wellbeing Strategy Priorities**

The delivery of the Joint Wellbeing Strategy priorities is dependent on good governance arrangements being in place in order that the Council has a transparent and accountable process for effective decision-making. This is underpinned by the Code of Conduct, which forms the bedrock of the conduct regime for Members and aims to ensure that ethical behaviour and governance of the highest order is maintained.

#### 3b. **Five Year Plan Outcomes**

The proposals will contribute to the Council's outcome of using resources wisely and ensuring good governance arrangements are in place.

### 4. **Other Implications**

#### 4.1 **Financial**

There are no immediate financial implications arising from this current report. There may be modest savings on Special Responsibility Allowances which will be determined by the Council following a recommendation of the Independent Remuneration Panel. There may be savings in officer support and/or room hire as a result of merging two existing Committees which will support the planned 16/17 savings in Democratic Services and Elections

#### 4.3 **Risk Management**

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
Legal	None at this stage	
Property – that the leisure needs of Slough cannot be met within the current facilities and open space and further investment is required which has a significant financial		

impact		
Human Rights	None	
Health and Safety	None	
Employment Issues	None	
Equalities Issues	None	
Community – that the facilities that are provided do not meet the needs and aspirations of the Slough residents		
Communications	None	
Community Safety	None	
Financial	None	
Timetable for delivery	None	
Project Capacity	None	
Other		

#### 4.4 Human Rights Act and Other Legal Implications

There are no direct Human Rights Act or other legal implications arising from this report.

#### 4.5 Equalities Impact Assessment

An Equalities Impact Assessment

#### 4.6 Workforce

There are no direct workforce implications arising from this report.

### 5. Background

#### **Standards Advisory Committee**

- 5.1 The Council established the Standards Advisory Committee in May 2012 as part of the Council's consideration of the new Code of Conduct requirements of the Localism Act 2011. Although there was no longer a statutory requirement for a standards committee, the Council agreed that a separate committee responsible for raising standards was both necessary and appropriate.
- 5.2 The main role of the Committee is to promote and maintain high standards of conduct by members. The new regime introduced under the Localism Act has reduced the bureaucracy involved in the former regime's investigation of allegations. The Code of Conduct adopted by the Council is clear in setting out Members' obligations.
- 5.3 The Committee consists of 6 members, three independent co-opted members and three Parish Council representatives. The Council's Independent Person also attends the Committee in a non voting capacity. The Committee has one Sub Committee – the Determination Sub Committee.
- 5.4 The Committee met twice in 2013/14. The Committee's annual review for 2013/14 noted that matters around member conduct were sufficiently light to enable two committee meetings during the year to be cancelled due to insufficient business. Two complaints

have been received to date in 2014. One was referred for investigation with no breach of the Code found and the other is awaiting the Investigating Officers report.

- 5.5 It is noticeable that the role of the Committee has reduced under the new arrangements particularly as the Monitoring Officer now has delegated authority to seek to resolve a complaint informally where a formal investigation is not merited. This removed the need for an Assessment Sub Committee to meet on receipt of a complaint. .

### **Audit and Risk Committee**

- 5.6 The Council's Audit and Risk Committee is responsible for providing independent assurance of the adequacy of the Council's risk management framework and provides independent scrutiny of the authority's financial and non financial performance. The Committee approves the financial statements and Annual Governance Statement.
- 5.7 The Committee enhances public trust and confidence in the financial governance of the authority. The Committee consists of 6 Members and one independent co-opted member. and meets four times a year.

### **Proposal to merge Committees to create an Audit and Corporate Governance Committee**

- 5.8 There are a number of drivers behind the proposal to merge the Standards Advisory and Audit and Risk Committee.
- 5.9 **Reduced complaint activity** and complaints that give rise to a need to involve the Standards Advisory Committee in considering ethical issues, has meant that there is a risk that the ethical agenda is not as visible as it once was. Some Council's have added ethical standards to the terms of reference of their Audit Committee to ensure that the ethical agenda remains visible in the Council and to achieve a more joined up governance role for the Audit Committee. There is no reason to believe that complaints alleging breaches of the code of conduct are likely to increase in the future.
- 5.10 **Similarities and synergies** – both Committees deal with governance, probity and transparency of processes.
- 5.11 **Transparency International UK Report on Corruption in Local Government.** This Organisation has issued a report with the key recommendation to Government being that the changes taking place in local government should be reviewed, to ensure that they do not inadvertently create an enabling environment for corruption. Specific recommendations include introducing a statutory requirement for local authorities to have an audit committee, strengthened whistle blowing systems, enhancing audit procedures, extending the Nolan Principles and for local authorities to carry out a periodic corruption risk assessment in relation to their own functions and operations. The Standards Advisory Committee was made aware of this report at its meeting on 18<sup>th</sup> March 2014 and it was agreed that a further report be made to a possible joint meeting of the Standards Advisory and Audit and Risk Committees as both Committees had responsibilities for governance and probity matters.
- 5.12 **Recruitment and Retention of co-opted members** – there is currently one co-opted independent person on the Audit and Risk Committee and three independent co-opted people on the Standards Advisory Committee. Combining the roles of the two committees would both enable the Council to benefit from skills and input of independent people

across a broader area of responsibility and provide a more stimulating role for independent people which, in turn, will assist in retention.

### **Role of the new Committee**

- 5.13 The newly merged Audit and Corporate Governance Committee would have the objective of making a positive contribution to the Council's governance and control environment. The proposed terms of reference give the Committee a wide remit including advising and reviewing the Council's arrangements for internal audit, internal control, risk management, financial management, standards and corporate governance. The Committee will also have an important role in ensuring public money is spent wisely and providing assurance to the public that the council is complying with the law, has an effective control framework in place and provides quality services in line with corporate priorities.
- 5.14 As the Council has a role in the standards and conduct issues of Parish Councillors it is proposed that one Member from each of the three Parish Councils in the Borough be invited to attend and speak at the Committee if it is considering a report relating to material changes to the Code of Conduct for Members.
- 5.15 Whilst recognising the benefits of merging the two Committees there is no wish to put additional pressure on the Committee's work on risk management framework and its scrutiny of the authority's financial and non financial performance and it is therefore proposed that a Standards and Determination Sub Committee be established to determine allegations of breaches of the Members' Code of Conduct, on a reference from the Monitoring Officer and to undertake any detailed work necessary on the Code of Conduct, making recommendations to the Committee as necessary.
- 5.16** The proposed membership/ terms of reference and operating guidance for the Sub Committee are set out at Appendix A.

### **Requirements of the Local Audit and Accountability Act 2014**

- 5.17** The Local Audit and Accountability Act 2014 abolishes the Audit Commission and establishes new arrangements for the audit and accountability of local public bodies in England.
- 5.18 Amongst other things the Act sets out the arrangements for the appointment of auditors by the Council. The Council is required to establish and take into account the views of an (Independent) Auditor Panel when selecting and appointing an auditor. The Act provides flexibility for different arrangements that can reflect local circumstances and provides for different ways in which a body may meet the requirement to have an auditor panel. There may also be an option for local bodies to collectively procure an auditor which would avoid the necessity for each audited body to establish its own auditor panel.
- 5.19 The AD (Finance and Audit) will report further on the options available for the appointment of an Auditor at a future date.

### **6. Comments of other committees**

- 6.1 This report is being considered by both the Standards Advisory and Audit and Risk Committees for recommendation to the Council. The report will also be considered by the Member Panel on the Constitution.

7. **Conclusion**

It is proposed, in the light of experience, that the Standards Advisory Committee should be disbanded and its terms of reference subsumed into the terms of reference of the Audit and Risk Committee to create an Audit and Corporate Governance Committee.

8. **Appendices**

A Article 10 –Audit and Corporate Governance Committee

9 **Background papers**

None

## ARTICLE 10 – AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Council will appoint an Audit and Corporate Governance Committee

### 1. Statement of Purpose

The purpose of this Committee is to

- promote and maintain high standards of conduct by Members
- provide independent assurance of the adequacy of the risk management framework and the associated control environment,
- independently scrutinise the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process
- approve the financial statements
- approve the Annual Governance Statement.

### Terms of Reference

#### 2. Within the Terms of Reference of the Committee it will be

- the member forum for external auditors matters, approving the financial statements on behalf of the full Council
- the member forum for ethical framework matters
- the member forum for internal audit matters,
- a key element of the internal control framework for the Council and take responsibility for the approval of the Annual Governance Statement on behalf of the full Council,
- be the member forum for risk management matters,
- be the member forum for corporate governance matters.

### Membership

#### 3 The Committee is subject to the provisions of the Local Government Access to Information Act 1985.

#### 4 The Committee will comprise\*:

Six councillors (politically balanced) (not the Leader, Mayor and Deputy Mayor, Chairs and Vice Chairs of Planning and Licensing Committee and Group Leaders\*)  
Up to four co-opted (non-voting) independent members from outside the Council with suitable experience

The Council's Independent Person (as an observer).

\* executive members limited to one

\* one Member from each of the three Parish Councils in the Borough to be invited to attend and speak at the Committee if it is considering a report relating to material changes to the Code of Conduct

In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit and Corporate

Governance Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

The Chair of the Committee will be an elected Member of the Council

#### Working Arrangements

- 5 That Committee will meet four or more times per year.
- 6 The quorum of the Committee shall be a minimum of four members including at least one co-opted Member.
- 7 The Committee will be subject to the statutory access to information provisions. The press and public may be excluded and papers withheld from access only if they meet statutory definitions of exempt or confidential information.
- 8 All Members of the Council and Members of the press and public can attend the Committee when it is discussing business in Part I of the agenda. When the Committee is discussing exempt or confidential information (Part II) only Members of the Committee and Members of the Council (with the consent of the Committee given by majority resolution) can attend.
- 9 The Committee will appoint a Standards and Determination Sub Committee to
  - determine complaints following an investigation.
  - Give detailed consideration to revisions to the Code of Conduct as necessary for recommendation to the Committee.
- 10 The Committee and its Sub Committee may require Members of the Council and Officers of the Authority to attend before it to answer questions.
- 11 The Committee and its Sub Committee may require the production of any document or record in the possession of the Council to be submitted to it, unless to do so would involve a breach of data protection or other statutory provisions.
- 12 The Committee may require the Monitoring Officer or his/her nominee to investigate on its behalf allegations of impropriety referred to the Committee.

#### **Specific Functions**

The Committee's specific functions shall include but not be limited to

- 13 External Audit
  - To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
  - To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
  - To consider and comment on any plans of the external auditors
  - To comment on the scope and depth of the external audit work and to ensure it gives value for money
  - To consider any other reports by the external auditors

- To liaise with the appointed body over the appointment of the Council's external auditor

#### 14 Internal Audit

- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
- To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
- To consider and approve the annual Internal Audit plan ensuring that there is sufficient and appropriate coverage
- To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
- To contribute to the annual audit plan
- To comment on the scope and depth of the internal audit work and to ensure it gives value for money
- To consider any other reports the Chief Internal Auditor may make to the Panel.

#### 15 Internal Control

- To approve the adoption of the Annual Governance Statement to the Council
- To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.

#### 16 Risk Management

- To approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
- To ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment
- To review the Council's risk register

#### 17 Governance

- To consider the arrangements for Corporate Governance and to make appropriate recommendations to ensure Corporate Governance meets appropriate standards
- To consider the Council's compliance with its own and other published standards and controls
- To review any issues of governance referred to the Committee by internal or external audit
- To take ownership of the Protocol on referring Matters to the External Auditor
- To review the Anti-Fraud and Corruption policy

#### Standards and Ethical Framework

- (a) To promote and maintain high standards of conduct by Members, (i.e. Elected and Co-opted)

- (b) To assist Members to observe the Council's Ethical Framework including the Code of Conduct.
- (c) To advise the Council on the adoption or revision of the Council's Ethical Framework including the Code of Conduct.
- (d) To monitor the operation of the Council's Ethical Framework including the Code of Conduct.
- (e) To advising, train or arranging to train Members on matters relating to the Council's Ethical Framework including the Code of Conduct.
- (f) To determine written complaints made against a Member (including a Parish Council Member) alleging a breach of the Code of Conduct and taking any action that is deemed appropriate and permitted under the Localism Act 2011 and Regulations thereunder.
- (g) To exercise of ( ) to ( ) above in relation to the Parish Councils wholly or mainly in its area and the Members of those Parish Councils.
- (h) To keep under review and make recommendations to the Council on the Whistle-Blowing Policy and Procedure.
- (i) To put in place and keep under review arrangements for monitoring Members' performance.
- (j) To receive and consider reports on individual Members' performance.
- (k) To decide any requests from a Member or Officer for indemnity as set out in the Council's adopted Policy on Terms of Indemnity.

18 Other

- (a) To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
- (b) To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted
- (c) To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.
- (d) The Committee shall, in conjunction with the Monitoring Officer and Chief finance Officer, produce an Annual Review of work completed and proposed and report on an exception basis through the Performance Report for Cabinet.

19 The terms of reference of the Committee shall be reviewed annually

## **Determination Sub-Committee**

### **1. Terms of Reference**

The Sub-Committee is established to

- determine complaints following an investigation.
- give detailed consideration to revisions to the Code of Conduct as necessary for recommendation to the Committee.

### **2. Following a hearing the Committee will make one of the following findings:**

- (a) That the Member who was the subject of the hearing had not failed to comply with the Code of Conduct of the relevant Authority concerned;
- (b) That the Member who was the subject of the hearing had failed to comply with the Code of Conduct of the relevant Authority concerned, but that no action needs to be taken in respect of the matters which were considered at the hearing; or
- (c) That the Member who was the subject of the hearing had failed to comply with the Code of Conduct of the relevant Authority concerned and that a sanction should be imposed.

### **3. If the Sub-Committee makes a finding under paragraph 2(c) in respect of a person who is no longer a Member of any authority that the SAC has responsibility for it shall censure that person.**

### **4. If the Sub-Committee makes a finding under paragraph 2(c) in respect of a person who is a serving Member of any authority that the Standards Advisory Committee has responsibility for, it shall impose any of, or a combination of, the following sanctions:**

- (a) censure of that Member
- (b) restriction for a period not exceeding six months of that Member's access to the premises of the relevant Authority or the resources of the relevant Authority provided that those restrictions:
  - i. are reasonable and proportionate to the nature of the breach;
  - ii. do not unduly restrict the person's ability to perform the functions of a Member.
- (c) that the Member submits a written apology in a form specified by the Sub-Committee;
- (d) that the Member undertakes such training as the Sub-Committee specifies;
- (e) that the Member participate in such conciliation as the Sub-Committee specifies;

## 5 Appointment and Composition of the Sub-Committee

- (a) The Sub Committee will be convened as necessary from the membership of the Audit and Corporate Governance Committee. The Sub-Committee will therefore not have a fixed membership.
- (b) The Sub-Committee shall comprise five Members, of whom a maximum of three shall be elected members and no more than two should be Co-Opted Independent Members of the Audit and Corporate Governance Committee.
- (c) The Sub-Committee shall elect a Chair at each hearing/meeting. The Chair will be an elected Councillor.
- (d) The appointment and composition of the Sub-Committee shall increase to include a Parish Member (observer) of the Audit and Corporate Governance Committee where the Sub-Committee is considering a report or recommendations that relate to a Parish Council Member.

## 6 **Quorum**

The quorum for a meeting of the Sub-Committee shall be three Members, two of whom must be elected Members and at least one Independent Member. When considering a matter relating to the conduct of a Member as Parish Councillor at least one Parish Council representative shall also be present.

## 7 **Frequency of Meetings**

The Sub-Committee shall meet as and when required to enable it to undertake its functions.