

City Council – 9 September 2024

Report of the Chair of the Audit Committee

Corporate Director/ Director:

Beth Brown, Director of Legal and Governance

Report Author and Contact Details:

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Title: Amendments to the Constitution

Does the report form part of the Budget or Policy Framework?

Yes No

Commissioner Consideration

Has this report been shared with the Commissioners' Office? Yes No

Any comments the Commissioners wish to provide are listed below.

Does this report contain any information that is exempt from publication?

No

Relevant Council Plan Key Outcome:

Green, Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Living Well in our Communities	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input type="checkbox"/>
Serving People Well	<input checked="" type="checkbox"/>

1. Summary

- 1.1 Council can establish committees to discharge some of its non-executive functions and determines the functions they may exercise and their terms of reference. It has established an Audit Committee to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements, giving greater confidence to all those charged with governance that those arrangements are effective; oversee the financial reporting and annual governance processes; oversee internal audit and external audit, together with the financial and governance reports helping to ensure there are adequate arrangements in place for both internal challenge and public accountability; and consider assurance of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. The terms of reference for the Committee are set out in Article 9 Non-Executive Functions and Committees of the Constitution. The terms of reference have been reviewed to ensure that they are in line with CIPFA guidance and good practice, and as a result Council is asked to approve a revised terms of reference for the Audit Committee.

1.2 Council is responsible for amending the Constitution. Therefore, Council is also asked to update Article 9 of the Constitution to reflect the changes to the terms of reference for the Audit Committee.

2. **Recommendations**

2.1 To approve a revised terms of reference for the Audit Committee, as set out at Appendix 1.

2.2 To amend Article 9 Non-Executive Functions and Committees of the Constitution to reflect these changes to the Audit Committee Terms of Reference.

3. **Reasons for recommendations**

3.1 Council can establish a committee to discharge some of its non-executive functions and determines the functions they may exercise and their terms of reference and their composition and make appointments to them. Amendments to these arrangements can only be made by Council.

3.2 In 2022 the Chartered Institute for Public Finance and Accounting (CIPFA) issued guidance *Audit Committees: Updated guidance for Local Authorities and Police* intended to help local authorities to develop best practice and support the development of effective arrangements. At the meeting of the Audit Committee held on 26 July 2024 a new set of terms of reference were endorsed for approval by Council. The new terms of reference will bring the Audit Committee into line with the new CIPFA guidance, represents good practice and is designed to give greater confidence to all those charged with governance that those arrangements are effective.

4. **Other options considered in making recommendations**

4.1 The discharge of functions by committees is regularly reviewed. Not updating the terms of reference for the Audit Committee was rejected because the current terms of reference refer to outdated legislation, do not represent best practice and do not focus the Committee's attention on the most pertinent issues.

5. **Consideration of Risk**

5.1 It is important that the nature and extent of delegations of non-executive functions by Council are clearly articulated in the Council's Constitution to ensure clarity about their discharge and roles and responsibilities within the Council's governance framework.

6. **Best Value Considerations**

6.1 The report sets out proposals to amend the terms of reference for the Audit Committee to ensure efficient and effective discharge of functions that are the responsibility of the Committee.

7. **Background (including outcomes of consultation)**

7.1 Council can establish committees to discharge some of its non-executive functions. Details of the committees it establishes and the functions delegated to each committee can be found in Article 9 Non-Executive Functions and Committees of the

Constitution. In establishing non-executive committees, Council determines the functions they may exercise and their terms of reference; their composition and makes appointments to them; and appoints the chairs of those committees (unless otherwise specified in an individual committee's terms of reference).

- 7.2 The Audit Committee is necessary to satisfy the requirements of the Accounts and Audit (England) Regulations 2015 and Section 151 of the Local Government Act 1972, and fulfil certain requirements of the Local Audit and Accountability Act 2014. Its terms of reference were last updated in 2018 in response to the publication by CIPFA of the 2018 Position Statement. This revision brings the terms of reference up to date with the latest CIPFA guidance. The CIPFA Position Statement 2022: Audit Committees in Local Authorities and Police highlights that audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 7.3 The Audit Committee considered the proposed new terms of reference at its meeting on 26 July 2024 and recommended their approval by Council.

8. **Commissioner comments**

- 8.1 Commissioners have noted the report and have nothing further to add.

9. **Finance colleague comments (including implications and value for money)**

- 9.1 This report is seeking approval for a revision to the terms of reference for the Audit Committee and an amendment to the Constitution to reflect these changes to the Audit Committee's Terms of Reference.
- 9.2 The recommendations do not have any additional financial implications. Expenditure relating to councillors, external and internal audit will be funded from the annual budget allocations.

Alfred Ansong, Strategic Finance Business Partner. 31 July 2024

10. **Legal colleague comments**

It is an essential element of good governance that the Council has a clear, concise and up to date Constitution that sets out in a transparent manner how the Council conducts its business. The Constitution should reflect current legislative requirements, statutory guidance and where appropriate incorporate industry best practice.

Beth Brown, Director of Legal and Governance 2 August 2024

11. **Other relevant comments**

- 11.1 None

12. Crime and Disorder Implications (If Applicable)

12.1 Not applicable

13. Social value considerations (If Applicable)

13.1 Not applicable

14. Regard to the NHS Constitution (If Applicable)

14.1 Not applicable

15. Equality Impact Assessment (EIA)

15.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because the proposals do not relate to a new or changing policy, service or function.

16. Data Protection Impact Assessment (DPIA)

16.1 Has the data protection impact of the proposals in this report been assessed?

No



A DPIA is not required because the proposals do not involve use of personal or sensitive data.

17. Carbon Impact Assessment (CIA)

17.1 Has the carbon impact of the proposals in this report been assessed?

No



A CIA is not required because the proposals do not have any significant carbon impact.

18. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

18.1 None

19. Published documents referred to in this report

19.1 Report to and minutes of the meeting of the Audit Committee held on 26 July 2024

19.2 Article 9 Non-Executive Functions and Committees of the Council's Constitution

19.3 Chartered Institute for Public Finance and Accounting (CIPFA) (2022) *Audit Committees: Updated guidance for Local Authorities and Police*

Councillor Adele Williams
Chair of the Audit Committee