

Subject:	Constitution Review		Status:	For Publication	
Report to:	Governance Working Group Council		Date:	17 th January 2019 30 th January 2019	
Report of:	Monitoring Officer		Portfolio Holder:	Corporate Services	
Key Decision:	No - reserved for Council	Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>	
Equality Impact Assessment:		Required:	No	Attached:	No
Biodiversity Impact Assessment		Required:	No	Attached:	No
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1.	RECOMMENDATIONS
1.1	That Council to agree the changes to the Constitution in relation to: <ul style="list-style-type: none"> The revised Terms of Reference of the Audit and Accounts Committee (Appendix A).

2. PURPOSE OF REPORT

2.1 To consider the recommendations of the Audit and Accounts Committee and Governance Working Group in relation to the proposed revised Terms of Reference at Appendix A, which are based largely on those adopted by Lancashire County Council as a mark of best practice.

3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following of the Council's corporate priorities:

- A connected and successful Rossendale that welcomes sustainable growth:** our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us.

4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendation in this report involve risk considerations as set out below:

- Monitoring risks and reviewing systems of controls.
- Failure to maintain and follow an up-to-date Constitution risks legal proceedings being taken against the Council, and risks members of the community being dissatisfied with the action of the Council.

5. BACKGROUND AND OPTIONS

Part 3 Pages 41-42

5.1 Part 3 of the Council's Constitution details the terms of reference for each of the Council's committees.

5.2 At the Audit and Accounts Committee in July 2018 the current Terms of Reference were

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brought before members for consideration and review. At that point members suggested that the review should include examining examples of best practice, including those used by Lancashire County Council (LCC).

- 5.3 Since then the Internal Audit team provided the Council with a copy of LCC's Terms of Reference and the potential draft revised Terms of Reference was taken to the Audit and Accounts Committee for consideration on 4th December 2018.
- 5.4 Members of the Audit and Accounts Committee recommended the revised Terms of Reference to the next Governance Working Group for consideration in the next Constitutional review.
- 5.5 Following the committee additional checks were undertaken to ensure compatibility with the remit of Rossendale's Audit and Accounts Committee and a few minor changes have been incorporated into Appendix A.
- 5.6 The Governance Working Group undertook their review on 17th January and recommended Council to approve the revised terms of reference.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

- 6.1 Any financial implications arising are noted in this report.

7. MONITORING OFFICER

- 7.1 There are no immediate legal considerations attached to the recommendations in this report.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

- 8.1 Consultation has been carried out with LCC internal audit team to ascertain best practice.
- 8.2 Consultation with Statutory Officers, Management Team, Legal Officers and the Audit and Accounts Committee.
- 8.3 At the 4th December 2018 Audit and Accounts Committee the following was agreed:
 - That members considered the proposed revised Terms of Reference for the Audit & Accounts Committee.
 - That members recommended the revised Audit & Accounts Terms of Reference to the next Governance Working Group for consideration in the next Constitutional review.
- 8.4 At the 17th January 2019 Governance Working Group meeting the following was agreed:
 - That Governance Working Group recommend Council to agree the changes to the Constitution in relation to the revised Terms of Reference of the Audit and Accounts Committee (Appendix A).

9. CONCLUSION

- 9.1 The Council is required by law to implement a Constitution and it is in the interests of the Council to regularly review and update the document.

Background Papers

Document	Place of Inspection
The Constitution of the Council	https://www.rossendale.gov.uk/downloads/download/10710/constitution

10. TERMS OF REFERENCE OF THE AUDIT AND ACCOUNTS COMMITTEE

- ~~To approve the Annual Accounts and Report of the Council (with delegated power).~~
- ~~To approve the Council's Statement of Accounts pursuant to Regulation 8(2) of the Accounts and Audit Regulations 1996.~~
- ~~To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it gives over the Council's governance, risk management arrangements, internal control arrangements and environment and anti-corruption arrangements.~~
- ~~To consider and approve any Council strategy relevant to the functions of the Audit Committee.~~
- ~~To consider reports dealing with the management and performance of the providers of internal audit services.~~
- ~~To comment on the scope and depth of both internal and external audit work, to ensure that there are effective working relationships and to ensure they give value for money.~~
- ~~To consider the external auditors annual letter, relevant reports and the report of those charged with governance and to ensure the implementation of any appropriate action plan and seek assurance that action is being taken on risk related issues identified by the auditor (or any other inspection).~~
- ~~To consider specific reports as agreed with the external auditor.~~
- ~~To consider regular Internal Audit performance reports relating to Council services and the effectiveness of the Authority's governance arrangements.~~
- ~~To consider summaries of specific internal audit reports, as requested.~~
- ~~To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.~~
- ~~To liaise with the Audit Commission over the appointment of the Council's external auditor.~~
- ~~To commission work from internal and external audit and approve the Annual Internal Audit Plan and undertake monitoring of performance against this plan.~~
- ~~To oversee the production of the authority's annual governance statement and to recommend its adoption and be satisfied that that the authority's assurance statements properly reflect the risk environment and any actions to improve it.~~
- ~~To consider the Council's compliance with its own and other published standards and controls.~~
- ~~To make recommendations to the Cabinet, Council and other organisations where appropriate.~~
- ~~Ensure the value of the audit process is actively promoted.~~
- ~~Maintaining high standards of conduct by Councillors and Co-opted Members.~~
- ~~Monitoring the Council's Corporate Governance arrangements.~~
- ~~To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.~~
- ~~To consider the Council's Risk Register.~~

Statement of purpose

1 The Audit and Accounts Committee is a key component of Rossendale Borough 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 primary purpose of the Committee is to provide independent assurance to the members (being those charged with governance) 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 Committee's members should therefore behave objectively and independently in their deliberations and decisions.

Governance

The Committee will:

- 4 Review the Council's corporate governance arrangements against the good governance framework, and consider annual governance reports and assurances.
- 5 Review and recommend the local code of corporate governance for adoption by the Council.
- 6 Review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the head of internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 7 Consider the Council's arrangements to secure value for money, and review assurances and assessments on the effectiveness of these arrangements.
- 8 Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 9 Consider the Council's arrangements for discharging its duties in relation to promotion and maintenance of high standards of conduct by members and co-opted members, in accordance with the Localism Act 2011.
- 10 To make recommendations to the Cabinet, Council and other organisations where appropriate.

Risk management and control

The Committee will:

- 11 Monitor the effective development and operation of the risk management framework and processes across the Council.
- 12 Monitor progress in addressing risk-related issues reported to the Committee.
- 13 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 14 Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 15 Monitor the counter-fraud strategy, actions and resources, including any instances of whistleblowing.

Internal audit

The Committee will:

- 16 Consider the internal audit charter approved by Lancashire County Council.
- 17 Approve the risk-based internal audit plan, including the Internal Audit Service's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

- 18 Approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 19 Make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 20 Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of any other external providers of internal audit services. These will include:
 - a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b. Regular reports on the results of the Audit Quality Assurance and Improvement Programme.
 - c. Reports on instances where the Internal Audit Service does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- 21 Consider the head of internal audit's annual report:
 - a. The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement.
 - b. 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, which will assist the Committee in reviewing the annual governance statement.
- 22 Consider summaries of specific internal audit reports as requested.
- 23 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 Council or there are concerns about progress with the implementation of agreed actions.
- 24 Contribute to the Audit Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 25 Support the development of effective communication with the head of internal audit.
- 26 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

External audit

The Committee will:

- 27 Consider the appointment of the Council's external auditor proposed by Public Sector Audit Appointments Ltd and assess whether there are any valid reasons for the Council to object.
- 28 Support the external auditor's independence through consideration of its annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Ltd.
- 29 Approve the letters of representation required by the external auditor and consider the external auditor's annual letter, audit opinion, relevant reports, and the report to those charged with governance.
- 30 Consider specific reports as agreed with the external auditor.

31 Comment on the scope and depth of external audit work and to ensure it gives value for money.

32 Commission additional work from the external auditor as necessary.

Financial reporting

The Committee will:

33 Review and approve the annual statement of accounts. Specifically, it will 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.

34 Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

The Committee will:

35 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.