

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CONSTITUTION COMMITTEE**

DATE: **28 MARCH 2012**

REPORT BY: **DEMOCRACY AND GOVERNANCE MANAGER**

SUBJECT: **REVISED MEMBERSHIP AND TERMS OF REFERENCE OF AUDIT COMMITTEE**

1.00 **PURPOSE OF REPORT**

1.01 To consider a recommendation from the Audit Committee in relation to its membership and terms of reference.

2.00 **BACKGROUND**

2.01 Local Government (Wales) Measure 2011 contains a chapter dealing with audit committees. The Measure received Royal Assent on the on 10 May 2011. Whilst some parts of the Measure have come into effect, the chapter dealing with audit committees has not as yet come into effect but is expected to do so shortly.

2.02 Section 81 Measure requires each County or County Borough Council to appoint an audit committee with the following functions:-

- Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs.
- Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.
- Oversee the authority's audit arrangements and review its financial statements.

At present the audit committee's terms of reference do not include all of these functions. The present terms of reference are attached as appendix 1.

2.03 Irrespective of the implementation of the Local Government (Wales) Measure the current terms of reference require minor updating in section C financial reporting to reflect changes to reporting for the draft statement of accounts to go to the audit committee and then following consideration by the WAO to be considered again and referred to Council for approval.

2.04 Section 82 of the Measure concerns the future membership of audit committees and requires:-

- That at least that one member of the committee is a lay member.
- That no more than a third of the committee's membership is made up of lay members.
- That no more than one member of the committee is a member of the Executive.
- That the Leader is not a member of the audit committee.

2.05 Section 83 of the Measure requires the audit committee to appoint its own chair. The chair must not be a member of a group that has members on the Council's Executive (except in the unlikely event of there being no opposition groups on the Council). Section 83 also gives audit committees powers that overview & scrutiny committees have to require members and officers of the authority to attend before it to answer questions.

2.06 At its meeting on the 26 March the audit committee is receiving a report on the Local Government (Wales) Measure which includes the points made in paragraphs 2.02 to 2.05 above. That report is recommending the committee consider changes to the audit committee's membership and terms of reference so that these can be recommended to the constitution committee and to County Council and the process of recruiting lay member(s) undertaken if appropriate.

3.00 CONSIDERATIONS

3.01 It is considered that the Council should prepare for the implementation of the provisions in the Local Government (Wales) Measure 2011 relating to audit committees. Once the Measure comes into effect there is a need to recruit at least one lay person to the committee and such recruitment will take time.

3.02 Irrespective of preparing for implementation of the Measure, there is a need by June 2012 to update the current terms of reference as indicated in paragraph 2.03 above.

3.03 The views of the audit committee at its meeting on the 26 March will be reported verbally to the constitution committee meeting. This will enable the constitution committee to consider the composition and terms of reference of the audit committee in time to make a recommendation to the Council's annual meeting in May.

4.00 RECOMMENDATIONS

4.01 To consider a recommendation from the audit committee as to its future composition and terms of reference so that this can be considered at the Council's annual meeting.

5.00 FINANCIAL IMPLICATIONS

5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 Discussions taken place with the Wales Audit Office and other North Wales Councils.

12.00 APPENDICES

12.01 Appendix 1 - audit committee's terms of reference

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Report to the audit committee meeting of the 26 March 2012.

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