

Report to	Audit Committee
Date	5 April 2011
By	Director of Corporate Services
Title of Report	Audit Committee – Terms of Reference and Membership
Purpose of Report	To allow the Audit Committee to make recommendations in relation to its terms of reference and the number of members of the Committee

Recommendation: The Committee is recommended to:

- **comment on the proposed terms of reference for the Audit Committee**
 - **recommend the Terms of Reference to the Authority**
 - **recommend an increase in the number of members of the Audit Committee from 4 Members of the Authority to 5**
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1. Introduction

- 1.1 Terms of Reference for the South Downs National Park Authority's (SDNPA) committees including the Audit Committee were agreed in April 2011. In the light of a year's experience and changes in the SDNPA's responsibilities, a revised terms of reference are proposed.
- 1.2 Three Members of the Audit Committee need to be present for the meeting to be quorate and therefore able to take decisions. Independent Members appointed to the Committee are not included in calculating this. The report recommends an increase in the membership of the Audit Committee to avoid meetings being inquorate.

2. Background

- 2.1 At its meeting on 20 April 2010 the Authority approved its standing orders including the terms of reference for its committees including the Audit Committee. The current terms of reference are set out in **Appendix 1**. For comparison purposes the terms of reference for two other SDNPA committees are also shown.

3. Revisions to the terms of reference

- 3.1 Over the past year, the Audit Committee has established its ongoing work programme and the annual timetable it will follow. This has helped to clarify its roles and responsibilities, and it is now opportune to review the formal terms of reference.
- 3.2 **Appendix 2** sets out proposed revised terms of reference for the Audit Committee. These draw on the agreed work programme and are based on ensuring an adequate control framework exists across the SDNPA, maintaining oversight of the work on the internal and external auditors and discharging specific responsibilities relating to the Annual Governance Statement, Annual Report and Annual accounts.
- 3.3 It is proposed to delete:
- reference to the Best Value plan which is no longer a requirement;
 - *"To agree the plans for the SDNPA to input into ANPA/ENPAA-wide functions including performance management."* because this is not a key responsibility and aspects such as performance management using national performance indicators are probably more suited to the Resources and Performance Committee; and

- *"To receive and consider the annual report on the complaints procedure, reports on customer survey/satisfaction, peer reviews, self assessments etc."* because this is probably more suited to the performance monitoring role of the Resources and Performance Committee.

3.4 Two new responsibilities are proposed:

- *"To ensure the robustness of risk management and performance management arrangements"*. The Audit Committee would be responsible for the Risk Management Strategy and Corporate Risk Register. It also would also allow the Audit Committee to take an oversight of the effectiveness of performance management arrangements whilst not duplicating the responsibility of the Resources and Performance Committee which would receive regular monitoring reports and determine actions which should follow.
- *"To consider the adequacy of arrangements for the prevention and detection of fraud and corruption"*. The Audit Committee would be responsible for reviewing arrangements to detect and prevent fraud.

4. Quorate

- 4.1 The Audit Committee is made up of 4 Members of the Authority and two Independent Members of the Committee.
- 4.2 The Authority's standing order (4) sets out the requirements for a meeting to be quorate. At least one-third of the whole number of Members of the Committee need to be present and in no case shall the quorum of any Committee be less than three members.
- 4.3 If a meeting is not quorate, it can continue at the Chair's discretion but cannot take decisions.
- 4.4 The Independent Members are not included in the calculation of whether or not a meeting is quorate. So to be quorate, 3 of the 4 eligible Members need to be present. In practice this level of attendance will not always be possible. However some of the responsibilities of the Audit Committee are very time specific – for example, approving the Annual Accounts. If meetings are not quorate it could present difficulties in meeting these statutory requirements in a timely manner. For this reason it is proposed that the number of Members on the Audit Committee is increased to 5 Members of the Authority plus two Independent Members of the Committee. The meeting would be quorate if 3 of the 5 Members were present.

5. Resources

- 5.1 There are no additional resource implications arising from this report.

6. Risk Management

- 6.1 Identify the risks associated with what is being proposed and explain how these risks are being mitigated.

7. Human Rights, Equalities, Health and Safety

- 7.1 There are no implications arising from this report.

8. External Consultees

- 8.1 None.

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Appendices

SDNPA Consultees

Appendix 1 – Existing Committee Terms of Reference

Appendix 2 – Proposed Terms of Reference for Audit Committee

Chief Executive Officer, Director of Corporate Services, Head of Planning, Head of Operations, Chief Finance Officer, Deputy Chief Finance Officer, Monitoring Officer & Senior Solicitor.

Existing Committee Terms of Reference

Audit Committee: Existing Terms of Reference

The purpose of this Committee is to review the Authority's performance, monitor its use of resources (including human resources), receive reports from the auditors and consider issues associated with the corporate governance of the Authority.

- To agree the Best Value Review programme and to receive reports and monitor progress against action plans
- To agree the District Auditor's annual Audit and Inspection Plan;
- To agree the Internal Audit Service Programme;
- To consider any reports from the Authority's Internal Audit Service and/or the District Auditor;
- To review the adequacy of audit action plans and monitor progress against them to ensure their effective implementation
- To agree the plans for the SDNPA to input into ANPA/ENPAA-wide functions including performance management.
- To receive and consider the annual report on the complaints procedure, reports on customer survey/satisfaction, peer reviews, self assessments etc.
- To scrutinize and keep under review Internal Control Mechanisms
- To investigate issues as appropriate;
- To monitor and review the Corporate Risk Strategy and Register

Resources and Performance Committee: Existing Terms of Reference

The purpose of this Committee is to oversee all resource management of the Authority including financial, people and assets. It recommends a suite of performance indicators and monitors the use of resources (including human resources) by the Authority.

The functions of the Committee are:

- To recommend a draft budget and draft Corporate Plan to the Authority;
- To agree key performance indicators, to recommend priorities to the Authority and to monitor progress against these;
- To monitor and review the performance of the Authority against its Corporate Plan, priorities and all statutory and other performance indicators, or agreed service standards and targets;
- To receive quarterly budget monitoring reports and to monitor the financial performance of the Authority in the context of its business delivery and the management and maintenance of the Authority's assets;
- To consider the Annual report; and
- To hear appeals from staff pursuant to HR policies.

Standards Committee: Existing Terms of Reference

A Standards Committee is a mandatory requirement of a NPA and its role is set out in Section 54 of the Local Government Act. It requires at least 25% of its Members to be independent and for there to be an independent Chair.

Its general functions are:

- To promote and maintain high standards of conduct by Members and officers of the Authority;
- To consider and determine complaints against Members under the Authority's Code of Conduct;
- To assist Members of the Authority to observe the Code of Conduct.

To deliver these the Committee's responsibilities are to:

- Advise the Authority on the revision and adoption of a Code of Conduct;
- Monitor the operation of the Code of Conduct;
- Advise, train and arrange to train Members of the Authority on matters relating to the Code of Conduct; and other protocols such as Member/Officer
- Promote high standards of conduct within the Authority, through advice, assistance and training;
- Receive complaints alleging non-compliance with the Code of Conduct, to consider allegations and determine:
 - To refer for local investigation or other action; or
 - To refer to Standards for England; or
 - That no action is necessary
- Convene a hearing for determination of allegations of misconduct, following local investigation;
- Hear any appeals by a person aggrieved by a determination that no action is necessary in respect of their complaint;
- Report as required to Standards for England;
- Consider and advise on other matters relating to conduct, ethics and propriety as referred to it by the Authority's Monitoring Officer;
- Consider and determine request from Members of the Authority to receive dispensation to speak on and participate in a matter in which they have a prejudicial interest; and
- Monitor the effectiveness of the Authority's complaints process, making recommendations to the Authority on any issues arising.

Proposed Terms of Reference for Audit Committee

The Audit Committee has the responsibility:

1. To provide assurance on the adequacy of internal audit arrangements
2. To ensure the robustness of risk management and performance management arrangements
3. To consider the adequacy of arrangements for the prevention and detection of fraud and corruption
4. To agree the internal audit plan and annual report, and receive progress and other relevant internal audit reports
5. To agree the District Auditor's Annual Audit and Inspection plan, and receive the District Auditor's Annual Governance Statement and other relevant reports
6. To review the Authority's Annual Governance Report
7. To approve the Statement of Accounts in accordance with the Accounts and Audit Regulations 2003