

Birmingham City Council

Full Council

9 January 2024



Subject: Amendments to the Constitution
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Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential : N/A

1 Executive Summary

- 1.1 Council constitutions provide a framework within which people can understand their own responsibilities, and the responsibilities of others. They allow decision-making, within a democratically elected body, to be consistent, accountable and transparent. They facilitate strong, effective relationships.
- 1.2 A constitution should be a living document – one that reflects not only evolving practice and law, but also one that is periodically strengthened and refined (as a whole document) to ensure it stays both relevant and consistent.
- 1.3 This report sets out:
 - Revised terms of reference for Audit Committee so immediate amendments to the Council's Constitution (Part B14) can be made, ahead of the Committee meeting scheduled for 31 January 2024
 - Terms of reference for the New Cabinet Committee for Property Decisions, approved by Cabinet on 12 December 2023.
 - Plans for delivering a comprehensive review of the Council's Constitution.

2 Recommendations

- 2.1 That approval be given to the amendments to the Terms of Reference for Audit Committee (Part B14 of the Constitution), set out in Appendix 1.
- 2.2 That the City Solicitor and Monitoring Officer be authorised to implement the changes (set out in 2.1) with effect from 10 January 2024.

- 2.3 Notes that on 12 December 2024 Cabinet approved the creation of a 'Cabinet Committee – Property' in order to expedite asset sales to support the delivery of the Council-wide strategy for the 2024/25 financial year, with the terms of reference set out in Section 7.
- 2.4 Notes the timeline for delivering a comprehensive review of the Council's Constitution, set out in Section 5.
- 2.5 Notes that a cross-party working group, consisting of 5 Members (3 Labour, 1 Conservative and 1 Liberal Democrat), was established by Council Business Management Committee on 18 December to support the Monitoring Officer's review of the constitution.
- 2.6 Notes that the Leader of the Council will Chair the Constitution Working Group (highlighted at 2.5 above).

3 Background

“How we interpret and use the Constitution is central to how effective governance is. A council that takes its Constitution seriously, where there's a sense of collective ownership of the rules it contains, and where people live and breathe its values, is likely to be one with better governance overall, and that's why these documents are important.”

Ed Hammond, Centre for Governance and Scrutiny

[\(Local Government Lawyer\)](#)

- 3.1 Section 37 of the Local Government Act 2000 (as amended by the Local Government Act 2011) requires the Council to prepare, keep up to date and publicise a Constitution. This sets out how the Council operates, how decisions are made and the procedures to be followed to ensure these are efficient, transparent and accountable. Some of these processes are required by law, and others are processes which the Council has chosen.
- 3.2 Birmingham's Constitution was originally adopted over 20 years ago, as the Council moved from a committee system to an executive model of governance. This was based upon national guidance and a model developed, for use by all Councils, by the Department for Transport, Environment and the Regions and the Local Government Association.
- 3.3 Since 2001 there have been no further updates from Government. As a result, local authorities have updated their constitutions themselves, usually by adding to the document as new legislation has been enacted or in response to internal changes within the Council, such as the reorganisation of governance arrangements or restructures of the Council's management.
- 3.4 Birmingham has been typical in this regard and over time the Constitution has been revised to reflect additional requirements and duties from a range of legislation and guidance. However, many local authorities have recently

introduced new formats and structures to help enhance accessibility, understanding, transparency and integrity around decision making.

4 Developments Since 2022

4.1 Last year a cross party working group was established, by Council Business Management Committee (CBMC), to review areas of the Constitution. This was set up to help ensure business was well managed and decisions taken effectively and efficiently, in accordance with statutory requirements and the council's governance framework.

4.2 Unfortunately, for a variety of reasons, it has not yet been possible to conclude this review. In addition, over the last couple of months the context for this review has changed and evolved significantly, including:

- Ongoing activity to agree an approach to achieve pay equity, culminating in a decision at an Extraordinary Full Council meeting on 12 October 2023.
- The issuing of 2 notices under Section 114 of the Local Government Finance Act 1988 during September 2023, and a Section 5 report issued by the previous Monitoring Officer.
- Statutory Recommendations issued on 29 September 2023 by the Council's External Auditors, Grant Thornton under Schedule 7 of the Local Audit and Accountability Act 2014. These recommendations related to equal pay, oracle implementation, financial pressures, governance and management capacity, and statutory accounts 2020/21, 2021/22, 2022/23.
- Government intervention: On 19 September 2023, DLUHC indicated that the Secretary of State was considering exercising the powers of direction under sections 15(5) and (6) of the Local Government Act 1999 in relation to the Council and its compliance with the best value duty. This was followed on 5 October by the appointment of Commissioners.

5 Next Steps and Timeline for Review

5.1 The incoming Interim City Solicitor and Monitoring Officer has been set a number of key deliverables by Commissioners, including delivering a comprehensive review of the Council's Constitution.

5.2 Moving forward, work to review the Constitution will be prioritised and will take place, at pace, over a number of stages:

Stage	Description	Reporting to Full Council
1	Immediate Changes As set out in Section 6, this refers to new terms of reference for the Audit Committee. The Constitution will	Jan 2024

	also be updated to reflect the new Cabinet Committee Property, established by Cabinet in December.	
2	<p>Priority Changes</p> <p>This will include, as a first step, completion of a statutory requirements check list. This useful tool will help identify any missing areas and/or areas requiring review and will also provide a quick reference point for finding statutory information across the Constitution.</p> <p>Once completed, priority review areas will be identified, so that proposed changes can be considered by CBMC/Full Council ahead of the start of the 2024/25 Municipal Year.</p> <p>It's anticipated that the Member working group will meet for the first time in January 2024.</p>	May 2024
3	<p>Comprehensive Review</p> <p>To make the Council's Constitution fit for purpose, for a financially secure 21st Century Council, and ensure a training programme is in place to enable both Members and Officers to understand and comply with its provision, ahead of the next administration in May 2026.</p>	May 2026

- 5.3 It is anticipated that the cross-party working group will support the review by considering governance changes suggested by Members, Officers and Commissioners, by reviewing areas of the Constitution to ensure they are fit for purpose; and by putting forward proposed changes for consideration by Full Council.
- 5.4 To ensure recommendations can be made the working group will need to consider a range of documentary material, and other evidence, including:
- Information from the Council's Constitution, including findings from the completed statutory requirements checklist;
 - Comparative data (where available) from other Core Cities and CIPFA's Nearest Neighbours;
 - Good practice from other local authorities
 - Information from Knowles on Local Authority Meetings: Manual of Law and Practice.
- 5.5 The Working Group will also need to consider findings from the review of Full Council meetings which was carried out by Colin Copus, Emeritus Professor of Local Politics, De Montfort University; Visiting Professor Ghent University.
- 5.6 This research was conducted before the issues set out in section 4.2 occurred. However, the review was commissioned by Council Business Management Committee to:

- assess if full council meetings were operating in the most appropriate way given the executive political arrangements existing; and to
- identify ways to improve and enhance:
 - o opportunities for genuine debate between and among members executive accountability;
 - o opportunities to engage with external partners and other agencies;
 - o how full council can instigate policy change and review and assess existing policy;
 - o the procedure for motions to council;

5.7 Following recent meetings with Group Leaders and a meeting between Colin Copus and the Lead Commissioner, a final report, setting out both findings and suggestions for change, will be available for consideration by the cross-party working group early in the new year.

6 New Terms of Reference for Audit Committee

6.1 The new terms of reference for Audit Committee, attached at Appendix 1, will help ensure its alignment with current best practice as set out by CIPFA in the “Audit Committees: Practical Guidance for Local Authorities and Police 2022 Edition” and in compliance with CIPFA’s “Position Statement: Audit Committees in Local Authorities and Police 2022.”

6.2 Audit Committee was asked to make comments, including any specific amendments, to the new terms of reference as part of the meeting held on 29 November.

6.3 As part of this Commissioners noted (under item 6 of the agenda - [CMIS > Audit Committee 29 Nov 2023](#)) that they were pleased to see that the Committee were being recommended to adopt the CIPFA guidance and model terms of reference. The Commissioners also highlighted that:

- Changes to the terms of reference was seen as an important step in the process of recovery;
- The Council’s Constitution should make it explicit that no Councillor should be able to serve on the Audit Committee until they have attended the necessary training course on how to be an effective member of the Committee.
- As part of the annual review of the effectiveness of the Committee the training and development needs of councillors in general and members of this committee should be considered.

6.4 In response to the above, it should be noted that the need for training is addressed as part of section 14.5 para 3 of the new terms of reference, This is because the CIPFA Position Statement 2022 identifies that Audit Committee Members need to be trained.

- 6.5 Comments, from the Audit Committee, were made with reference to the Head of Internal Audit verses the internal audit service.
- 6.6 It is recognised that the terms of reference reflects not only the CIPFA guidance for Audit Committees 2022 and the CIPFA position statement 2022, but also the CIPFA Role of the Head of Internal Audit 2019 and the Accounts and Audit Regulations (2015) requirement for the service to be conformant with the Public Sector Internal Audit Standards 2017, both of which articulate a distinct role of the Head of Internal Audit, similar to how the S151 Officer role is defined by CIPFA but still supported by a finance team. Additionally, the new terms of reference for the Corporate Governance Group and the Schedule for the Audit Committee, both of which support the Audit Committee's request for enhanced Annual Governance Statement activity and therefore have not been directly added into the Audit Committee Terms of Reference.
- 6.7 However, other enhancements have been made, and included at Appendix 1, including; additional wording on Value for Money; counter fraud; ethics and culture; membership and the Independent Technical Adviser role.
- 6.8 The draft terms of reference were also considered by CBMC on 18 December. As set out at Appendix 1, CBMC recommended that para 14.4 (Conflicts of interest) should be updated to include reference to both Cabinet Members and Cabinet Advisers, along with former Cabinet Members and former Cabinet Advisers.

7 New Cabinet Committee for Property Decisions

- 7.1 As set out in the Section 151 Officer Update on the Financial Position of the Council, considered by Cabinet in December, a key element for financial recovery will be a review and assessment of the capital programme and assets within the Council. This is with the intention of developing capital receipts for the Council in order to support the formal application for a Capitalisation Direction the Council's potential Equal Pay accounting liability; the costs involved in the redundancy scheme; and support to deliver a balanced budget for the 2024/25 financial years.
- 7.2 Birmingham City Council is the single largest owner of property in Birmingham and holds the largest land estate of any UK local authority, extending to 26,000 acres. The portfolio, excluding residential homes, infrastructure and schools has an asset value of over £2.4 billion. Income generating assets attract on average £34 million revenue per annum. There are more than 6,500 property assets (land and buildings) in the portfolio and over 300 of these have historic interest.
- 7.3 To support this approach, a programme of rationalisation and re-gearing of its investment property portfolio has been agreed. The portfolio in scope for the Strategy is comprised of development sites and strategic assets, industrial premises, retail premises and miscellaneous assets located across the city.

- 7.4 The terms of reference of the new Cabinet Property Committee, agreed by Cabinet on 12 December 2023, is to approve proposed sales of council property and assets as part of the Council wide Asset Strategy.
- 7.5 The Committee will have delegated powers from the Cabinet to declare land and property surplus to requirements. It will have the power to determine high value property sales, the means of disposal and the acceptance of offers. The Property Committees main purpose will be to deliver the capital receipts programme without delays. It will have these powers for both General Fund Assets and Housing Revenue Account Assets.
- 7.6 The Council's existing Scheme of Delegation to Officers in relation to lower value Property Transactions will remain in place.
- 7.7 The Property Cabinet Committee's Terms of Reference includes:
- a) To exercise full delegated executive powers to consider and make decisions on;
 - b) All land and property transactions including the Investment Property portfolio where the City Council has an interest;
 - c) The acquisition and disposal of leasehold interests for rent (including the granting and surrendering of any rights over such land and property);
 - d) The acquisition and disposal of freehold and leasehold interests at a premium;
 - e) The management of all of the Council's land and properties, including the authorising and payment of discretionary contributions towards trade/loss and or removal expenses and all payments due under an approved Compulsory Purchase Order;
 - f) To report to Cabinet setting out progress on delivery of the receipts target.
- 7.8 Following Cabinet's decision on 12 December, the first Cabinet Committee Property was held on 20 December. The Constitution will be updated to reflect this new Cabinet Committee for Property Decisions.

8 Legal Implications

- 8.1 The Local Government Act 2000 requires the Council to have and maintain a constitution. Full Council is the decision making body with responsibility to adopt and amend the Constitution. The Monitoring Officer must be satisfied that the Council's Constitution continues to fulfil its stated purposes.

9 Financial Implications

- 9.1 The work of the Audit Committee is a vital part of the Council's governance framework. An effective terms of reference should ensure the resources of the Audit Committee are directed at the most important areas of focus for the Committee.
- 9.2 There are no other direct financial implications arising from this report.

10 Public Sector Equality Duty

10.1 There are no direct equality implications arising from this report.

11 Background Papers

11.1 [The-review-and-redrafting-of-constitutions-v.3.pdf \(cfgs.org.uk\)](#)

12 Appendices

12.1 Appendix 1 – New Terms of Reference for Audit Committee

12.2 Appendix 2 – Constitution Change Log

Appendix 1 New Terms of Reference for the Audit Committee

B14. Audit Committee

14.1 Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk management and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control provides 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 there are adequate arrangements in place for both internal challenge and public accountability.

14.2 Governance, risk and control

1. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
2. To review the ethics and culture of the Council to ensure appropriate behaviours and values operate and enable openness and transparency.
3. To monitor the effective development and operation of risk management in the council.
4. To monitor progress in addressing risk-related issues reported to the committee.
5. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
6. To consider reports on the effectiveness of financial management arrangements, including compliance with Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management Code.
7. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements, including review of the external audit, internal audit and other assurance providers' work relating to value for money.
8. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
9. To monitor the counter fraud strategy, actions and resources including the use of benchmarking and other analytics to inform this review.
10. To review the governance and assurance arrangements for significant partnerships or collaborations.

14.3 Financial and governance reporting

Governance reporting:

1. To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
2. To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
3. That the Corporate Governance Group supports the Audit Committee in the review of the AGS to help ensure the effectiveness review of the Local Code of Corporate Governance remains a living and continually developing activity.

4. That a schedule of works for the Audit Committee includes a clear timeline for the production, consideration and monitoring of the AGS.

Financial reporting:

1. To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
2. To review the annual statement of accounts. Specifically, to 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.
3. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

14.4 Arrangements for audit and assurance:

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit:

1. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate.
2. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
3. To consider specific reports as agreed with the external auditor.
4. To comment on the scope and depth of external audit work and to ensure it gives value for money.
5. To consider additional commissions of work from external audit.
6. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
7. To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal Audit

1. To approve the internal audit charter.
2. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
3. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
4. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
5. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
6. To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.

7. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of 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 Quality Assurance and Improvement Programme (QAIP)
 - c. reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
8. To consider the head of internal audit's annual report, including:
 - a. the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - 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 (these will assist the committee in reviewing the AGS).
9. To consider summaries of specific internal audit reports as requested.
10. To 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 authority or there are concerns about progress with the implementation of agreed actions.
11. To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
12. To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations.
13. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

14.5 Accountability arrangements

1. To 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.
2. [The Chair of the Audit Committee to have the ability to place an item, attend and speak to it if there are significant issues arising that needs Cabinet and City Council to give specific attention to the issue.](#)
3. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
4. To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement 2022 (See below).

14.6 Membership

1. Members of the Audit Committee, and its Chair, are appointed by Full Council. There are eight members of the committee, and the quorum is three.
2. The Chair of Audit Committee should not be appointed to serve as a director on any of the City Council's wholly owned companies.

3. An Independent Technical Advisor (ITA) should be appointed to support the Committee. [The ITA would be appointed via a skills-based route and having identified where any skills gaps in Audit Committee were identified.](#)

14.7 Conflicts of interest

1. If a **Cabinet Member or** Cabinet Adviser (or former **Cabinet Member or** Cabinet Adviser) is a member of the Audit Committee when it is considering matters to which their role relates, then that Councillor must withdraw from the meeting during the consideration of such matter.
2. If the Audit Committee is considering items relating to the work of a relative of a member of the Committee, then that Councillor must withdraw from the meeting during the consideration of such matter.

14.8 Review of these Terms of Reference

These Terms of Reference are to be reviewed annually to ensure they remain appropriate, reflect best practice and align to relevant standards and regulations.

CIPFA Audit Committee Position Statement 2022 available from:

<https://www.cipfa.org/-/media/Files/Services/Support-for-audit-committees/CIPFA-Audit-Committee-Position-Statement-2022.pdf>

Previous Terms of Reference – for information only

B14. AUDIT COMMITTEE

14.1 Purpose

i. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, risk management and governance.

14.2 Functions

a) To review the City Council's Annual Accounts and Annual Governance Statement (AGS). This will include advising on significant changes throughout the year to financial regulations and policies.

b) To monitor progress in addressing control or governance issues identified in the AGS.

c) To review and provide the Executive with assurance on the embedding and maintenance of an effective system of corporate governance, including the Council's Corporate Governance Code and Framework, risk management framework, and the associated control environment.

d) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

e) To review the adequacy of treasury risk management arrangements as set out in the Treasury Management Policy, Strategy and treasury management practices.

f) Responsibilities as set out in the terms of reference in relation to external audit including reviewing the planned programme of work, noting fees and terms of engagement of the external auditor, considering, and advising the executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.

g) To review and make recommendations to the executive regarding the effectiveness of internal audit to include ensuring the internal audit function is adequately resourced, to review its strategy, receive, challenge, and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.

h) To consider and make recommendations to the executive on the Council's arrangements for deterring, preventing, detecting, and investigating fraud.

i) To consider reports from the Ombudsman and monitor management response in relation to these.

j) To consider, approve or make recommendations in respect of any other matters at the request of the Council.

14.3 Membership

i. Members of the Audit Committee, and its Chair, are appointed by Full Council. There are eight members of the committee, and the quorum is three.

ii. The Chair of Audit Committee should not be appointed to serve as a Director on any of the City Council's wholly owned companies.

iii. An Independent Technical Advisor should be appointed to support the Committee.

14.4 Conflicts of interest

iv. If a Cabinet Adviser (or former Cabinet Adviser) is a member of the Audit Committee when it is considering matters to which their role relates, then that Councillor must withdraw from the meeting during the consideration of such matter.

v. If the Audit Committee is considering items relating to the work of a relative of a member of the Committee, then that Councillor must withdraw from the meeting during the consideration of such matter.

The Chartered Institute of
Public Finance & Accountancy

cipfa.org



CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

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.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

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.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

Appendix 2

Birmingham City Council Constitution – Change Log – January 2024

Part B – Roles, Functions and Rules of Procedure

Section	Change	Reason
B6 Executive Role, Functions and Procedure	New Cabinet Committee for Property Decisions	To update the Constitution so this includes the terms of reference for the new Cabinet Property Committee, agreed by Cabinet on 12 December 2023.
B14 Audit Committee	New terms of reference for Audit Committee.	To help ensure alignment with current best practice as set out by CIPFA in the “Audit Committees: Practical Guidance for Local Authorities and Police 2022 Edition” and in compliance with CIPFA’s “Position Statement: Audit Committees in Local Authorities and Police 2022”.