

Audit and Governance Committee

Date of Meeting: 11th November 2020

Report Title: Audit and Governance Committee Composition and Structure

Senior Officer: David Brown, Director of Governance and Compliance

1. Report Summary

- 1.1. To set out various aspects for the Committee to consider in relation to its future composition and structure, prompted by recommendations from the Corporate Peer Review, the move to the Committee system, and the term of the current co-opted independent member completing in March 2021.

2. Recommendations

- 2.1. That the Committee establishes a working group with Terms of Reference as set out in the report, and with a membership as recommended at paragraph 3.9 of the report.
- 2.2. That the working group be asked to make recommendations to the Audit and Governance Committee for such changes as appear to be desirable in order to address relevant recommendations from the Corporate Peer Review and the proposed move to the Committee System of governance.
- 2.3. That, following consideration of the Working Group's recommendations, the Audit and Governance Committee makes such recommendations for Constitutional change to the Constitution Committee as appear to be desirable.

3. Background

- 3.1. Cabinet received the LGA report on the Corporate Peer Challenge in June 2020. The report included the following in relation to the Audit and Governance Committee

The Audit and Governance Committee of the Council has made improvements in recent years with much more effective challenge being provided through this committee, including reviews of contracts due for

renewal. There is currently one 'independent person' on the Committee who is not a member of the council and can therefore help to provide independent challenge. However, the size and membership of the committee may benefit from review to ensure the committee can operate effectively and provide sufficient challenge across all areas of responsibility, including on financial matters.

- 3.2. The Audit and Governance Committee Membership has included a co-opted independent member since March 2017, following changes to membership approved by Council in October 2015. Whilst not mandated in legislation, the inclusion of at least one co-opted independent member is strongly recommended by CIPFA (Audit Committees – Practical Guidance, 2018). The co-option of an independent member helps to bring additional knowledge and expertise to the committee and also reinforces its political neutrality and independence.
- 3.3. The Council on 22nd October 2015 resolved that the independent member be a voting member. However, the authority should have regard to section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected committee members. In essence, where a committee is acting in an advisory capacity and making recommendations, all members of the committee should be able to vote on the recommendation. Where the Council has delegated to the Committee decisions such as the adoption of financial statements, the independent member should not be able to vote on those matters.
- 3.4. The Audit and Governance Committee's current co-opted independent member completes his term in March 2021, and it is timely for the Committee to consider the number of co-opted independent members before the process of recruiting for the next fixed term of 4 years begins.
- 3.5. With the move to the Committee system progressing, this is also an opportune moment to consider the future size of the Committee, as per the comments of the Corporate Peer Challenge feedback report, and again, the guidance of CIPFA.
- 3.6. There is no prescribed size and format for an audit committee for English local authorities. CIPFA's 2016 survey noted that the size of membership ranged from 5 to 15, with 47% having between 6 and 8 members. The average size of committees has increased since their previous survey in 2011. Political proportionality would need to be observed should the size of the Committee be reconsidered.
- 3.7. As an apolitical Committee, membership of Audit and Governance Committee should ensure separation from the Executive, and the

Committee should consider the CIPFA guidance to ensure the composition of the Audit and Governance Committee continues to demonstrate separation from decision making in the context of a Committee System.

- 3.8. To progress these considerations further, it is suggested that the Committee establish a working group. The working group will be supported with resource from Democratic Services and Audit and Risk as needed.
- 3.9. The Working Group may be but does not have to be politically proportionate. However, given the nature of work which the Working Group will be undertaking, it is recommended that workable balance of membership could be achieved with a membership of 6 (2:2:1:1).
- 3.10. The following are suggested for the working group's terms of reference;
 - 3.10.1. Review the structure and size of the Audit and Governance Committee in line with the recommendations of the Corporate Peer Review and the CIPFA guidance and make recommendations as needed.
 - 3.10.2. Review the number of co-opted independent members and make recommendations for changes as needed
 - 3.10.3. Identify any other associated recommendations arising as a result of the move to the Committee structure

4. Implications of the Recommendations

4.1. Legal Implications

- 4.1.1. Under the Council's constitution, the Committee may establish standing and time-bound working groups (which may, but need not be, politically balanced) to consider any matters within the terms of reference of the Committee. Governance arrangements in relation to the recommendations of the working group will follow 2.2 and 2.3 above.
- 4.1.2. The Localism Act 2011 amended the Local Government Act 2000 to allow councils to revert to a non-executive form of governance i.e.. a committee system.
- 4.1.3. In relation to recommendations arising as a result of the proposed move to the Committee structure, the working group should be aware that Council must allocate seats on Committees to give effect to the political balance rules. The rules for the allocation of seats are set out in Sections 15 and 16 of the Local Government and Housing Act 1989 and Local Government (Committees and Political Groups) Regulations 1990.

4.1.4. The Accounts and Audit (England) Regulations 2015 say that a local authority is responsible “for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk”; and section 151 of the Local Government Act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs”. Therefore, whilst primary responsibility for these arrangements lies with the Council’s s.151 officer, the role of the Committee in providing oversight, challenge and assurance is critical in supporting this.

4.1.5. The working group should be guided and assisted by the CIPFA guidance ‘Audit Committees: Practical Guidance for Local Authorities and Police’ 2018.

4.2. Finance Implications

4.2.1. Current arrangements in place are consistent with those for other non-elected, co-opted committee members. There are no financial implications outside of the MTFs for the creation of a working group. Officer advice to the working group can be provided within existing resources.

4.2.2. The financial implications of any recommendations arising from the Working Group requiring amendment to the MTFs would need to be identified as part of the working group’s report to the Audit and Governance Committee.

4.3. Policy Implications

4.3.1. The proposal to create a working group will ensure that the Committee considers best practice and changes to the governance system operation and identifies recommendations to ensure the Committee composition and structure is appropriate for local requirements.

4.4. Human Resources Implications

4.4.1. There are no direct Human Resources Implications.

4.5. Risk Management Implications

4.5.1. Failure to consider these aspects may undermine future effectiveness of the Committee’s ability to achieve its objectives.

4.6. Rural Communities Implications

4.6.1. There are no direct implications for rural communities.

4.7. Implications for Children & Young People/Cared for Children

4.7.1. There are no direct implications for children and young people.

4.8. Public Health Implications

4.8.1. There are no direct implications for public health.

4.9. Climate Change Implications

4.9.1. There are no direct implications for Climate Change

5. Ward Members Affected

5.1. Implications are Boroughwide.

6. Access to Information

6.1. CIPFA – Audit Committees – Practical Guidance (2018).

7. Contact Information

7.1. Any questions relating to this report should be directed to the following officers:

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