

OPEN

## **Audit and Governance Committee**

**Thursday, 7 December 2023**

### **Proposed Terms of Reference - Audit and Governance Committee**

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**Report of: David Brown, Director of Governance and Compliance (Monitoring Officer)**

**Report Reference No: AG/24/23-24**

**Ward(s) Affected: (All Wards)**

#### **Purpose of Report**

- 1 This report presents revised Terms of Reference for the Audit and Governance Committee, as considered and prepared by the working group established.

#### **Executive Summary**

- 2 At the July 2023 meeting, this committee received a report recommending the establishment of a working group to review its Terms of Reference, making recommendations for any revisions required following the recommendations of the CIPFA review of the committee.
- 3 The working group has met regularly since the July report and presented in Appendix 1 is a “tracked changes” version of the Terms of Reference, identifying amendments and revisions. Appendix 2 sets out the proposed Terms of Reference with the changes accepted.
- 4 Following consideration and agreement to the proposed Terms of Reference, these will be recommended to full Council for adoption at the 27 February 2024 meeting.

## RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- a) Recommend to full council the adoption of the Committee terms of reference at Appendix 2

### Background

- 5 The current terms of reference for the Audit and Governance Committee are available to view in the Council's Constitution – Chapter 2, Part 4, starting on page 31.
- 6 The findings of the CIPFA review of the Audit and Governance Committee were presented to the June 2023 meeting of the Committee. 11 recommendations were made in CIPFA's report, including a review of the Terms of Reference for the committee. This is to ensure the committee has a clear purpose, role and position within the governance arrangements at Cheshire East Council
- 7 In July 2023, the Committee endorsed the approach proposed to review the Terms of Reference, appointing a politically balanced working group to review and update the Audit and Governance Committee. The working group's Terms of Reference are set out in Appendix 3.
- 8 The timescale for the working group was to report its initial proposals to the Audit and Governance Committee at the 28 September 2023 meeting, and its final report to the Committee on 7 December 2024; the final recommendation for any amendments would be recommended to Council for adoption within the Constitution at the 27 February 2023 meeting.
- 9 The working group established included
  - i. Cllr Michael Beanland
  - ii. Cllr Ken Edwards
  - iii. Cllr Marilyn Houston
  - iv. Cllr Garnet Marshall
  - v. Cllr Patrick Redstone
  - vi. Mr Ron Jones (co-opted independent member)
  - vii. Mrs Jennifer Clarke (co-opted independent member)

- 10 The working group has been supported by advice and guidance from the Director of Governance and Compliance, the Director of Finance and Customer Services, the Head of Audit and Risk, Audit Manager and the committee's Democratic Services officer.
- 11 Appendix 1 sets out the current terms of reference for the Committee, with tracked changes showing the proposed amendments. Appendix 2 sets out the proposed terms of reference in full. Changes to each section of the terms of reference are summarised and explained below.

Governance/Statement of Purpose

- 12 Additional content has been included here to
- i. Clarify that the Chair and Vice Chair of the Audit and Governance Committee should not be appointed as the Chair and Vice Chair of Service Committees. In order to ensure the Committee is apolitical in nature, the working group also agreed that members of the Audit and Governance Committee should not have held senior positions within political groups including group whip/administrator and that this should be included in the terms of reference.
  - ii. Phrasing on the "Statement of Purpose" has been revised to include text from the CIPFA Model Code, to ensure that the remit and responsibilities of the Committee are set out clearly, and to ensure prominence is given to the Committee's responsibility in relation to the Committee's responsibilities for promoting high standards of Councillor's behaviour.

Governance, risk and control

- 13 Changes in this section cover inclusions from the CIPFA Model Code, again to ensure that the remit and scope of the Committee is set out clearly in respect of these areas, and to provide distinction on this Committee's role in relation to service Committees.

Internal Audit

- 14 Changes in this section re-introduce sections from the CIPFA Model Code, which were previously removed; however, the content this relates to in terms of the reports from Internal Audit has still been provided to the Committee. The opportunity has also been taken to make minor changes to phrasing and consequential amendments such as changes of job titles.

External Audit

- 15 Additional sections have been introduced in this part of the Terms of Reference to ensure that the Committee's role and relationship with the Council's external auditors is very clearly set out.

#### Annual Statement of Accounts

- 16 Additional phrasing from the CIPFA model Code is included to ensure the Committee's scope and responsibility is clear.
- 17 The section on related functions has been removed in the proposed Terms of Reference; these aspects of the Terms of Reference are specific to Cheshire East Council, however, there are other elements of the Committee's Terms of Reference which provide for these specific reports being brought to the Committee; for example;
- i. *consider reports, both internal and external, on the effectiveness of internal controls and monitor the implementation of agreed actions.*
  - ii. *consider reports on the effectiveness of financial management arrangements, including compliance with the CIPFA Financial Management Code.*

#### Standards Arrangements

- 18 The amendment in this section updates the date reference, for the adoption of the current Code of Conduct by Council in October 2022.
- 19 There are no changes proposed to the name or size of the Audit and Governance Committee.
- 20 To complement the revised Terms of Reference, officers will be drafting a further internal document to be maintained by the Committee members and officers, which will give examples of the reports currently provided to the Committee under the elements of the Terms of Reference, indicating the frequency of the report being provided for example, and the assurances it provides.

### **Consultation and Engagement**

- 21 Review of the Committee's Terms of Reference has been carried out by the working group, as agreed by the Committee at the meeting on 27 July 2023. The working group's Terms of Reference are set out in Appendix 3.

### **Reasons for Recommendations**

- 22 Reviewing the existing Terms of Reference ensures the Committee has the opportunity to reflect on the issues raised in the review of the Committee, consider the good practice model and guidance developed

by CIPFA and identify changes which will contribute to improving the overall effectiveness of the Council's Audit and Governance Committee.

### **Other Options Considered**

- 23 No other options considered; the approach to the review of the Committee Terms of Reference was endorsed at the July 2023 meeting. Any further amendments or proposals should be considered in the discussion on this item, and if approved by the Committee would form the final proposed Terms of Reference being recommended to Council for adoption.

### **Implications and Comments**

#### *Monitoring Officer/Legal*

- 24 The review of the Council's Audit and Governance Committee has been carried out against CIPFA's guidance and view on audit committee practice and principles that local government bodies in the UK should adopt.
- 25 Changes proposed align the Committee's Terms of Reference with good practice, reflect the views of the working group and will be recommended to Council, who have the authority to amend the Constitution to include them. Adoption of the proposed Terms of Reference seek to achieve clarity on the clear purpose, role and position of the Committee within the governance arrangements at Cheshire East Council.
- 26 The adoption of the changes to the Terms of Reference will be communicated to the officers who regularly support the Committee to ensure any changes to report content is implemented promptly.

#### *Section 151 Officer/Finance*

- 27 There are no changes to the Council's medium term financial strategy arising from this report. Changes to working practices and the changes to the Committee's Terms of reference will be part of business as usual for the services which support the Audit and Governance Committee.

#### *Policy*

- 28 The review of the Council's Audit and Governance Committee has been carried out against the position statement, and the detailed supporting guidance; any changes arising from the review will seek to ensure the Committee adopts and acts in accordance with best practice guidance.

- 29 Ensuring the effective working of the Audit and Governance Committee supports the Council’s “Open” aim in the Corporate Plan 2021-2025; ensuring there is transparency in all aspects of council decision making.

**An open and enabling organisation.**

- ensuring there is transparency in all aspects of council decision making

*Equality, Diversity and Inclusion*

- 30 There are no equality implications arising from this report.

*Human Resources*

- 31 There are no human resources implications arising from this report.

*Risk Management*

- 32 The review of the Committee terms of reference manages the risk that the Council’s Audit and Governance Committee is ineffective. The Committee will review the application of the Terms of Reference, and any concerns or further changes can be discussed as needed. The Committee’s Annual Report to Council provides an opportunity to reflect on how the changes to the Terms of Reference have worked in practice, and to demonstrate the effectiveness of the Committee.

*Rural Communities*

- 33 There are no rural communities’ implications arising from this report.

*Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

- 34 There are no Children and Young People/Cared for Children implications arising from this report.

*Public Health*

- 35 There are no public health implications arising from this report.

*Climate Change*

- 36 There are no climate change implications arising from this report.

**Access to Information**

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Appendices:	Appendix 1 – Committee Terms of Reference with tracked changes  Appendix 2 – Committee Terms of Reference with changes accepted  Appendix 3 – Working Group Terms of Reference
Background Papers:	CIPFA Review of the Audit and Governance Committee  (Audit and Governance Committee 8th June 2023)  Review of the Audit and Governance Committee Terms of Reference Working Group  (Audit and Governance Committee 27 July 2023)