

OPEN

Audit and Governance Committee

8th June 2023

CIPFA Review of Audit and Governance Committee; Report and Action Plan

Report of: David Brown, Director of Governance and Compliance

Alex Thompson, Director of Finance and Customer Services

Report Reference No: AG/01/23-24

Ward(s) Affected: All

Purpose of Report

- 1 This report provides the Audit and Governance Committee with the report from CIPFA (Appendix 1), following the review undertaken against their “Audit committees: practical guidance for local authorities and police” guidance, and actions agreed at a workshop of officers and Members of the Committee in April 2023 in response to the report’s action plan (Appendix 2). This review was endorsed by the Committee in July 2022 and is part of the Council’s “Open” aim in the Corporate Plan 2021-2025; ensuring there is transparency in all aspects of council decision making.

Executive Summary

- 2 In July 2022, following the publication of an updated position statement for Audit Committees from CIPFA (Appendix 3), the Audit and Governance Committee endorsed a review of the Committee to be undertaken by CIPFA, against their updated guidance “Audit committees: practical guidance for local authorities and police.”
- 3 As agreed by the Committee in March 2023, the CIPFA report was shared at a workshop in April 2023, held with the Members of the Audit and Governance Committee, and the officers who advise and support the Committee. In that workshop, a series of actions were developed in response to the report’s action plan. These are shared in Appendix 2 for

this meeting of the Audit and Governance Committee to consider and endorse.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Consider and agree the planned actions, including responsibilities and timescales, set out in the response to the report's action plan, set out in Appendix 2.
2. Review progress against the implementation of the recommendations, with an update on these being included as part of the Audit and Governance Committee's Annual Report to Council.
3. Invite CIPFA to return to review the Committee and progress made.

Background

- 4 In July 2022, following the publication of an updated position statement for Audit Committees from CIPFA (Appendix 3), the Audit and Governance Committee endorsed a review of the Audit and Governance Committee to be undertaken by CIPFA, against their updated guidance "Audit committees: practical guidance for local authorities and police."
- 5 CIPFA's consultant, Elizabeth Humphrey, met with members of the Committee and officers who regularly support the committee during January 2023, and was also provided with documentation such as the Committee work programmes and agenda packs.
- 6 The final report was subsequently shared with Members of the Audit and Governance Committee on the 11 April 2023. Along with the senior officers who regularly support the Committee, the report was discussed at a face-to-face workshop on 17 April 2023. The report was presented by Elizabeth Humphrey, with members and officers then working through the findings to agree a set of actions to be proposed to the new membership of the Committee, post-election.
- 7 11 recommendations were made in CIPFA's report, and 23 proposed actions are set out in Appendix 2. The recommendations and associated proposed actions range from practical changes to the administration and organisation of the Committee, improving briefing and training for Committee Members, and recognising and respecting the behaviours appropriate to the Committee's purpose. The workshop welcomed the report and broadly supported the recommendations. There was a

consensus that their adoption would be beneficial to further developing the trust and confidence between Members and officers, which is essential to the effective working of this committee.

Consultation and Engagement

- 8 Members of the Committee and officers who regularly support the Committee met with the consultant, Elizabeth Humphrey, in individual meetings to inform the review, and the final report was discussed by the members and officers to agree a series of actions in response.

Reasons for Recommendations

- 9 The Committee’s current Terms of Reference were informed by the 2018 CIPFA guidance, which has subsequently been updated. The composition and Terms of Reference were updated as the Council moved to the Committee systems of governance, with the Audit and Governance Committee recommending changes in March 2021. A further review of the Committee Terms of Reference was not then undertaken by CEC officers against the 2022 CIPFA guidance, as this was part of the scope of the review carried out by CIPFA.
- 10 Adopting and implementing the actions discussed at the Member and Officer workshop would provide evidence that Committee’s terms of reference reflect the current good practice model, shared in the CIPFA guidance. These, along with practical changes set out in the actions, should improve the overall effectiveness of the Council’s Audit and Governance Committee.
- 11 The Committee could resolve to adopt all the actions recommended, to adopt in part, or resolve to continue “as is” and not endorse the action plan at all. The implications and risks involved with adopting in part or failing to adopt are set out in the options appraisal table below.

12

Option	Impact	Risk
Do nothing	The effectiveness of the Committee does not improve or worsens.	The Committee performs poorly and undermines the effectiveness of governance in the Council.
Adopt action plan in part.	Dependent upon which actions are adopted and implemented, aspects may improve, but unlikely	The Committee doesn’t proactively or consistently improve the effectiveness of the Committee, and

Option	Impact	Risk
	to achieve optimum improvements.	therefore wider governance in the Council.
Adopt action plan as recommended	The implementation of all proposed actions, once embedded and subject to review, will improve the effectiveness of the Audit and Governance Committee and give assurance that national expectations are being met	This option should provide the most effective mitigation to the risk of the Committee performing poorly and undermining the effectiveness of the Council's governance arrangements.

Implications and Comments

Monitoring Officer/Legal

- 13 The position statement, Appendix 3, represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. The review of the Council's Audit and Governance Committee has been carried out against the position statement, and the detailed supporting guidance.
- 14 A detailed paper on the changes required to the Committee's Terms of Reference to align it with the good practice set out in the CIPFA guidance will be brought to the Audit and Governance Committee, for it to recommend the adoption of this to Full Council.

Section 151 Officer/Finance

- 15 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.
- 16 The cost of a further review by CIPFA, if endorsed, will be met by budget within the Governance and Compliance department.

Policy

- 17 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.

- 18 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

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

Human Resources

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

Risk Management

- 21 The adoption of the recommendations and actions arising from the review will manage the risk that the Council's Audit and Governance Committee is ineffective. The Committee will receive update reports on progress in the implementation of the actions, which will ensure any concerns over resourcing can be shared, and the Committee will be able to reflect on whether the actions are achieving the desired outcome.

Rural Communities

- 22 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)

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

Public Health

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

Climate Change

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

Access to Information

Contact Officer:	Josie Griffiths Head of Audit and Risk josie.griffiths@cheshireeast.gov.uk
Appendices:	<u>Appendix 1</u> – CIPFA Review of the Audit and Governance Committee <u>Appendix 2</u> – Cheshire East Council – Action Plan for Audit and Governance Committee <u>Appendix 3</u> – CIPFA Position Statement
Background Papers:	Work Programme – Addition of the CIPFA review to the Work Programme. (Audit and Governance Committee, 28 th July 2023) Update Report – CIPFA Review of Audit and Governance Committee (Audit and Governance Committee 9 th March 2023)