

OPEN

Audit and Governance Committee

27th July 2023

Review of Audit and Governance Committee Terms of Reference Working Group

Report of: David Brown, Director of Governance and Compliance

Report Reference No: AG/26/23-24

Ward(s) Affected: No specific ward

Purpose of Report

- 1 To consider the establishment of a working group to review and update the Audit and Governance Committee Terms of Reference to progress the action plan in place following CIPFA's review of the committee.

Executive Summary

- 2 In July 2022, following the publication of an updated position statement for Audit Committees from CIPFA, 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 which were shared and endorsed by the committee on the 8 June 2023.
- 4 The agreed action was to 'Update the Audit and Governance Committee's terms of reference to set out its purpose, role and position within the governance arrangements at Cheshire East Council and its activities in relation to risk management. In particular, focus on its ability to make a difference and to support the Council to operate more effectively.'

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Appoint a politically balanced working group to review and update the Audit and Governance Committee Terms of Reference
2. Note that the terms of reference for the working group as detailed in Appendix 1
3. Note that the Working Group will report its initial proposals to the Audit and Governance Committee at the 28 September 2023 meeting

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. [Current Terms of Reference](#)
- 6 In July 2022, following the publication of an updated position statement for Audit Committees from CIPFA, 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."
- 7 CIPFA's consultant, Elizabeth Humphrey, met with members of the Committee and officers who regularly support the committee during January 2023. 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.
- 8 Elizabeth Humphrey attended the June meeting of the Audit and Governance Committee to present the report and findings to the current, post-election membership of the Committee.
- 9 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 and its activities in relation to risk management is clear to committee members. In particular, focus should be on the committee's ability to make a difference and to support the Council to operate more effectively.

- 10 The Committee agreed to the implementation of the action plan which had been prepared by officers in response to the report's findings. Many of the individual actions relate to the need to review the Committee's Terms of Reference, and the Committee are now asked to agree to the arrangements for a politically balanced working group to undertake this task.
- 11 The proposed composition, frequency of meetings and Terms of Reference for the Working Group are set out in the Appendix 1 to the report. The Committee could also invite the co-opted independent member to participate in the working group discussions.
- 12 The suggested timescale for the Working Group, in order to meet Council on 27 February 2024, requires initial proposals of any amendments to be brought to the Audit and Governance Committee on 28 September 2023 and its final report to the Committee on 7 December 2023. The final recommendation for any amendments will then be submitted to Council on 27 February 2024 for adoption within the constitution.

Consultation and Engagement

- 13 Members of the Committee endorsed the action plan at the meeting on 8 June 2023, which included the establishment of a working group to review the committee Terms of Reference.

Reasons for Recommendations

- 14 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.
- 15 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.
- 16 The Committee could resolve to establish the working group as recommended, to establish in part, or resolve to continue "as is" and not establish the working group. The implications and risks involved with adopting in part or failing to establish are set out in the options appraisal table below.

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.
Establish a working group and review only part of the terms of reference	Dependent upon which terms are amended, adopted and implemented, aspects may improve, but unlikely to achieve optimum improvements.	The Committee doesn't proactively or consistently improve the effectiveness of the Committee, and therefore wider governance in the Council.
Establish a working group to make recommendations to review and amend the terms of reference	The implementation of amended terms of reference, once embedded and subject to approval by Council, 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

- 17 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.
- 18 A detailed paper prepared by the Working Group 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 adoption of amendments to Full Council.

Section 151 Officer/Finance

- 19 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

- 20 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.
- 21 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

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

Human Resources

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

Risk Management

- 24 The establishment of a Working Group to review the terms of reference for the committee will manage the risk that the Council's Audit and Governance Committee is ineffective. The Committee will receive update reports on progress and suggested changes, which will ensure any concerns can be shared, and the Committee will be able to reflect on whether any amendments will achieve the desired outcome.

Rural Communities

- 25 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)

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

Public Health

27 There are no public health implications arising from this report.

Climate Change

28 There are no climate change implications arising from this report.

Access to Information	
Contact Officer:	Jennifer Ashley Democratic Services jennifer.ashley@cheshireeast.gov.uk
Appendices:	Terms of Reference of Working Group – Review of the Terms of Reference for the Audit and Governance Committee
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) CIPFA Review of the Audit and Governance Committee (Audit and Governance Committee 8 th June 2023)

APPENDIX 1

Terms of Reference of Working Group – *Review of the Terms of Reference for the Audit and Governance Committee*

Composition: 5 members of the Audit and Governance Committee, politically balanced (x 2 Labour, x 2 Conservative, x 1 Independent)

Co-opted Independent Member

Members: To be confirmed

Officer Support: Director of Governance and Compliance, Director of Finance & Customer Service, Head of Audit & Risk Management with additional officers or deputies as required.

Democratic Services Support: To be confirmed

Duration: Creation 27 July 2023 - Dissolution 7 December 2023

Type and frequency of meeting:

Fortnightly, until end of September 2023, thereafter as and when required until December 2023.

Informal meeting which default to remote access unless members indicate a need for in person meeting.

Purpose:

The working group is to progress with the CIPFA action plan recommendation to review the Audit and Governance Committee Terms of Reference, to

- Interim report to Audit and Governance Committee 28 September 2023
- Final report to Committee 7 December 2023
- Final report to Council 27 February 2024

Terms of Reference

1. To consider the findings and recommendations of the CIPFA Review of the Audit and Governance Committee in relation to the Committee's existing Terms of Reference.

2. To consider CIPFA 2022 Guidance 'Audit Committees: Practical Guidance for Local Authorities And Police (2022 edition)'
3. To review the current terms of reference for the Audit and Governance Committee (Chapter 2 Part 4 page 31)
4. To make recommendations to the Audit and Governance Committee in relation to any amendments to the committee terms of reference