



*Working for a brighter future together*

## **Audit and Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** Audit and Governance Committee Composition and Structure

**Senior Officer:** David Brown, Director of Governance and Compliance

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### **1. Report Summary**

- 1.1. To update the Audit and Governance Committee following the meetings of the Working Group on its proposals for the Committee's future composition and structure.

### **2. Recommendations**

- 2.1. That the Committee consider the recommendations of the Working Group outlined in this report, and in suggested Terms of Reference set out in Appendix 1 and approve these as recommendations from the Audit and Governance Committee to the Constitution Committee, for inclusion in the Constitution.

### **3. Background**

- 3.1. The Audit and Governance Committee received a report to their November 2020 meeting setting out various aspects for consideration in relation to the composition and structure of the Committee, specifically the inclusion of co-opted independent members, the size of the Committee, and maintaining separation from decision making in the context of a Committee system model.
- 3.2. The following members were appointed to the Working Group,
  - Cllr Rod Fletcher
  - Cllr Rachel Bailey
  - Cllr Margaret Simon
  - Cllr Byron Evans
  - Cllr Carol Bulman
  - Cllr Marilyn Houston

- 3.3. The Working Group's terms of reference were to;
- 3.3.1. 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.
  - 3.3.2. Review the number of co-opted independent members and make recommendations for changes as needed
  - 3.3.3. Identify any other associated recommendations arising as a result of the move to the Committee structure.
- 3.4. The recommendations to the Committee from the Working Group are set out below. Appendix A outlines a suggested term of reference for the Committee which has been updated after consideration by the Working Group.

#### Size of the Committee

- 3.5. Following consideration of the scope of the terms of reference as set out in Appendix A, the Working Group suggested that a committee size of 9 elected members, which would be subject to proportionality. This would currently give the following; 4:3:21:0:0.

#### Co-opted Members

- 3.6. The Working Group recommendation is to include 2 co-opted independent members as part of the Committee's membership, on a fixed term membership of 4 years. The independent person is entitled to be reimbursed for expenses but does not receive any allowance or remuneration.

#### Other recommendations

- 3.7. To maintain the apolitical nature of the Audit and Governance Committee, membership should ensure separation from decision making. To achieve this, the following are recommended by the Working Group
- 3.7.1. Membership of the Audit and Governance Committee may not include the Leader or Deputy Leader of the Council.
  - 3.7.2. Membership of the Audit and Governance Committee may not include Chairs or Vice Chairs from the Service Committees, including the Corporate Policy Committee and Finance Sub Committee.
  - 3.7.3. The Chair and Vice Chair of the Audit and Governance Committee may not sit on a service committee. If practicable they should not be from the controlling groups.

- 3.7.4. Responsibility for the Member Code of Conduct/Standards arrangements remain within the function of the Audit and Governance Committee.
- 3.7.5. The standing Chair of the Hearing Sub Committee is the Chair of the Audit and Governance Committee; when convened for any individual item, the Chair should be of a different group to any subject member.
- 3.8. The Working Group recommended that the Terms of Reference for the Audit and Governance Committee are reviewed promptly within the first year of operation within the Committee System, with any recommendations for change being brought forward to Council in due course.

#### **4. Implications of the Recommendations**

##### **4.1. Legal Implications**

- 4.1.1. 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.
- 4.1.2. In relation to recommendations arising as a result of the proposed move to the Committee structure, the Working Group has shown regard to the allocation of 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.
- 4.1.3. 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.
- 4.1.4. 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 Borough-wide.

## 6. Contact Information

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

Name: Josie Griffiths

Job Title: Head of Audit and Risk

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Name: Brian Reed

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### **Statement of Purpose**

1. The Audit and Governance Committee is a key component of the Council's corporate governance. It provides:
  - a. independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards;
  - b. independent review of the Council's governance, risk management, control frameworks and oversees the financial reporting and annual governance processes; and
  - c. promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
2. The Committee receives reports and assurances from across the organisation. In doing so, the Committee will consider the effectiveness of the arrangements described, identifying further information needed, and/or making recommendations for improvements and additional action required.

### **Form and Structure**

3. **9** Members of the Council, subject to proportionality, which may be altered to accommodate the overall political balance calculation together with **2** co-opted independent committee members.
4. To support the political independence in this oversight committee, membership of the Committee may not include the Leader or Deputy of the Council, or the Chairs and Vice Chairs of service committees including the Corporate Policy Committee and Finance Sub Committee. The Chair and Vice Chair of the Audit and Governance Committee should not sit on service committees.
5. Members may not review decisions as part of the Audit and Governance Committee that they have made as a member of another Committee.
6. Co-opted independent members of the Committee are appointed to the Committee for a four year period. The Council on 22nd October 2015 resolved that the independent member be a voting member. <sup>1</sup>

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<sup>1</sup> 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.

7. To ensure that the Committee remains focussed on its assurance role, all members of the Committee, and any designated substitute, must be appropriately trained.
8. The success of the Audit and Governance Committee depends upon its ability to remain apolitical. It must adopt a non-political approach to its meetings and discussions at all times. Remaining apolitical also places a duty on members not to make inappropriate use of information provided to the Committee for other purposes.

### **Matters reserved for the Audit and Governance Committee**

#### ***Accountability Arrangements***

1. To report annually 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 of the Council.
2. 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.

#### ***Governance, risk and control***

3. To consider the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control and includes an agreed action plan for improvements where necessary.
5. To consider the effectiveness of the system of risk management arrangements by receiving regular reports on the adequacy and effectiveness of the Council's risk management and reporting arrangements and receive assurance that actions have been taken as necessary.
6. To review the Council's Risk Management Policy and Framework and recommend it for approval by Corporate Policy Committee.
7. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

8. To monitor the counter-fraud strategy, actions and resources.
9. To review the governance and assurance arrangements for significant partnerships or collaborations.
10. To consider amendments to the Constitution and recommend proposals to Full Council for approval except where specifically delegated to the Monitoring Officer.

***Internal Audit***

11. To approve the internal audit charter.
12. 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.
13. To consider reports from the Head of Audit and Risk Management on internal audit's performance during the year, including
  - (a) updates on the delivery of the audit plan, including key findings, issues of concern and monitoring the actions taken in response to internal audit recommendations.
  - (b) reports on Internal Audit's effectiveness and compliance it's Quality Assurance and Improvement Programme, including conformance with the Public Sector Internal Audit Standards, and the results of the external assessment review of Internal Audit when due.
14. To approve significant interim changes to the risk-based internal audit plan and resource requirements
15. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
16. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
17. Receive the annual report from the Head of Audit and Risk setting out internal activity during the year, and an opinion on the level of assurance as to the Council's arrangements for governance, risk management and internal control.
18. To consider summaries of specific internal audit reports as requested.



19. 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.

***External Audit***

20. To oversee the process by which the Council's external auditor is appointed.
21. To consider specific reports as agreed with the external auditor.
22. To commission work from internal and external audit.
23. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

***Annual Statement of Accounts***

24. To review and approve 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.
25. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
26. Monitor management actions in response to issues raised by the external auditor

***Related Functions***

27. Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.
  - (a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.
  - (b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.

***Standards Arrangements***

28. The Committee is responsible for the Council's standards arrangements to:
  - (a) promote high standards of ethical behaviour.
  - (b) develop, maintaining and update Codes of Conduct and protocols.
  - (c) Training

29. The Committee is responsible for monitoring and advising Council about the operation of its Code of Conduct for Councillors in the light of best practice and any changes in the law.
30. The Committee will approve the arrangements for dealing with allegations that a Councillor or a town/parish Councillor within the borough has failed to comply with the relevant Councillors' Code of Conduct.
31. To assist the Council with the appointment of Independent Persons as required by the Localism Act 2011 and any independent persons under other secondary legislation.
32. To determine any request for a dispensation under Section 33 of the Localism Act 2011, where not determined by the Monitoring Officer or to appeal against a determination by the Monitoring Officer.
33. To respond on behalf of the Council to national reviews and consultations on standards related issues.
34. To consider and make recommendations to Full Council on any other matter that may be referred to the Standards Committee relating to the conduct and training of Councillors.
35. To review, advise, monitor and report to Full Council on member training.
36. To recommend proposals to Full Council for changes to the constitution in respect of any governance or standards matters, except where specifically delegated to the Monitoring Officer

***Hearing Sub Committee***

37. The Hearing Sub-Committee is a Sub-Committee of the Council's Audit and Governance Committee appointed to consider complaints referred under the Code of Conduct Complaints procedure.
38. The Hearing Sub-Committee quorum will be drawn from the Audit and Governance Committee.
39. The standing Chair of the Hearing Sub Committee is the Chair of the Audit and Governance Committee; when convened for any individual item, the Chair should be of a different group to any subject member
40. The Vice Chair will be appointed by the Audit and Governance Committee and if practicable, will be from a different political group to the Chair.

Audit and Governance Committee – Suggested Terms of Reference (Committee System)

41. An Independent Person is invited to attend all meetings of the Hearing Sub-committee and his/her views are sought and taken into consideration before the Hearing Sub-committee takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.
42. The Independent Person is a person who has applied for the post following advertisement. He/she is appointed by Council.
43. Where the Committee finds that a failure to comply with the Code of Conduct has occurred, the Hearing Sub-Committee will determine what action, if any, to take and to apply the sanction or recommend to Council to apply an appropriate sanction.