

## **APPENDIX C**

### **BRIEFING NOTE TO MEMBERS OF THE AUDIT AND GOVERNANCE COMMITTEE**

#### **Background**

At its meeting on 25 January 2023, the Audit and Governance Committee considered an item entitled “Review of the Council’s Constitution”. The draft constitution, states in the Responsibility for Functions - Section D7 – Non Executive Committees – Audit and Governance Committee.

*“1.5 Members of the **Committee** should not be members of **Cabinet** or **Scrutiny**.”*

A member of the Committee requested further clarification on the reason for the inclusion of this paragraph in the document.

#### **Political Balance and the independence of Audit and Governance from the Executive and Scrutiny**

The advice regarding Committee members not overlapping with Scrutiny and Cabinet functions is detailed within the [CIPFA Position Statement](#), which was updated and published in 2022 and supported by guidance for both audit committee members and those guiding the audit committee.

The position statement details the updated role of the audit committee as *“to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.”*

It further goes on to detail that *“the audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.”*

The position statement provides details on the way in which the audit committee can ensure an independent and effective model.

*“The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight.*

*It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.*

*The committee should:*

- be directly accountable to the authority’s governing body*
- in local authorities, be independent of both the executive and the scrutiny functions*
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups”.*

Although the position statement is not legislative, CIPFA has detailed within its statement “*CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.*”

Scrutiny and Audit Committee functions are distinct. Having members sat on both committees could risk conflicts of interest, losing clarity over both audit and scrutiny’s statutory functions and lose the effectiveness and independence required of the committees.

A briefing on the position statement 2022 will be provided to Audit & Governance Committee at the April meeting to highlight the work to be carried out over the next six months to ensure that the committee is meeting the expectations of the CIPFA statement.

The briefing will

- detail the changes that have been recommended since the 2018 position statement.
- propose to form a working group to assist with the implementation of the position statement.
- detail a work plan that will ensure the committee meets the requirements of the new CIPFA position statement, in particular a review of the effectiveness of the committee, the training needs of the committee and the appointment of independent persons on the committee.

#### **Chief Finance Officer / Section 151 Officer Comment and Advice:**

CIPFA has updated its Position Statement to promote best practice and provide clear guidance for local authorities to maximise the effectiveness of their Audit Committees. This follows a number of high profile cases of failings in governance within local authorities. It is the professional advice of the Chief Finance Officer that CIPFA’s updated Position Statement should be fully adopted at North West Leicestershire District Council.

#### **Appointments to Committees**

Appointments to Committees will be made at the Annual Council Meeting on 23 May 2023, following the District Election on 4 May. The appointments will be made in line with the rules on proportionality as set out in Section 15 Local Government and Housing Act 1989. It is not possible to predict how seats will be allocated until the outcome of the elections is known.

Glenn Hammons

Head of Finance/Section 151 Officer

Kerry Beavis

Internal Audit Manager

1 February 2023