



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

GOVERNANCE ETHICS AND STANDARDS COMMITTEE

18 January 2024

Report of the Director of Legal & Democratic Services and Monitoring Officer

Revisions to the Constitution: Terms of Reference of the Audit Committee

1. Purpose

- 1.1 To agree an amendment to the terms of reference of the Audit Committee in the Constitution to include two co-opted independent members and refer the amendment to full Council for approval.

2. Information and Analysis

- 2.1 The terms of reference of the Governance, Ethics and Standards Committee includes a requirements “to advise the County Council on the monitoring, amendments to and overall operation of the Constitution.”
- 2.2 The Audit Committee considered a request at the meeting on 5 December 2023 to appoint two co-opted independent members to the Committee. This recommendation received the support of the Committee and it was recommended that the Governance, Ethics and Standards be invited to consider recommending a change to Article 10 of the Constitution in relation to the composition of the Audit Committee.
- 2.3 Article 10 of the Constitution currently provides that “The Audit Committee will comprise at least six Councillors, but shall not include in its membership any member of the Cabinet.” The report approved by the Audit Committee on 5 December 2023 invited the Governance, Standards and Ethics Committee to recommend a constitutional change

to the Committee's composition to include two co-opted independent members. A copy of the report setting out the rationale for the introduction of the two co-opted independent members and the process for recruitment and appointment is attached at Annex 2 and a summary of the key points is set out below.

- 2.4 CIPFA's Audit Committees: Practical Guidance for Local Authorities and Police 2022 highlights the following potential benefits of introducing co-opted independent members:
- Enhancement of knowledge and experience in specific areas such as audit or financial reporting.
 - To provide continuity outside of the political cycle, this is particularly important where membership of the committee changes routinely.
 - To achieve a non-political focus on governance, risk and control matters.
 - Increased resilience and continuity of the committee, particularly where the two co-opted independent members have complementary skill sets.
 - Shows a commitment to supporting and investing in the committee.
- 2.5 An Audit Committee workshop held 31 January 2023, hosted by the Assistant Director of Finance (Audit) outlined the content of CIPFA's Position Statement and Practical Guidance for Local Authorities and Police 2022, alongside completion of the associated Self-Assessment of Good Practice for Audit Committees.
- 2.6 The self-assessment exercise was designed to consider the Audit Committee's performance against CIPFA's four key principles. The percentage of the possible maximum scores awarded during the self-assessment exercise have been included for information:
- Audit Committee Purpose and Governance (36%)
 - Functions of the Committee (78%)
 - Membership and Support (47%)
 - Effectiveness of the Committee (50%)
- 2.7 The lack of 'lay' or co-opted independent members was specifically highlighted as an area of weakness within the 'Membership and Support' category as Committee members expressed a desire for more specialist and technical backing. An increased level of discussion and challenge, anticipated through the introduction of co-opted independent members will also assist in further developing qualities which underpin the overall 'Effectiveness of the Committee'.
- 2.8 A detailed Role and Person Profile for Co-opted Independent Audit Committee Members has been developed utilising guidance offered by CIPFA's Audit Committees: Practical guidance for local authorities and

the police. A copy of the proposed Role and Person Profile was considered and supported by the Audit Committee on 5 December 2023.

3. Consultation

3.1 Not applicable.

4. Alternative Options Considered

4.1 Not to recommend the amendment of the Constitution. This would prevent the appointment of the two co-opted independent members which has been recommended by the Audit Committee and is in accordance with CIPFA's Good Practice for Audit Committees.

5. Implications

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

6.1 None identified.

7. Appendices

7.1 Annex 1 – Implications

7.2 Annex 2 - The report and appendices presented to the Audit Committee on 5 December 2023

8. Recommendation(s)

That Committee agrees that Article 10 of the Constitution be amended to change the composition of the Audit Committee to include two co-opted independent members and refers the amendment to full Council for approval.

9. Reasons for Recommendation(s)

9.1 To ensure compliance with the recommendation to appoint at least two co-opted independent audit committee members as per CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022.

9.2 To optimise the performance of the Audit Committee and enhance the technical skills and expertise within the membership, through the addition of two formally appointed co-opted independent members.

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Implications

Financial

- 1.1 It is usual practice for co-opted independent members to receive payment and reimbursement of expenses incurred when attending meetings. The Independent Remuneration Panel has considered the allowance payable in relation to this role and the recommendations of the Panel are reported separately to the Governance, Ethics and Standards Committee.

Legal

- 2.1 Under sections 101 and 102 of the Local Government Act 1972, Council is responsible for approving the composition and appointment to committees. Therefore, in order to change the composition of the Audit Committee as detailed in Article 10 of the Derbyshire County Council Constitution approval will be required from Full Council.
- 2.2 The Council has the power to appoint co-opted independent members to committees, other than a committee for regulating and controlling the finances of the Council, under section 102(3) of the 1972 Act.
- 2.3 Article 22 of the Constitution makes it clear that changes to the Constitution will only be approved by the full Council after consideration of the proposal by the Governance Ethics and Standards Committee. This report discharges that constitutional requirement.
- 2.4 The Council is required to prepare and keep up to date its Constitution as set out in Section 9P of the Local Government Act 2000 as amended. Approval by full Council of the recommendations in this report will enable the compliance with this duty.

Human Resources

- 3.1 A person specification for the role has been prepared for consideration. Remuneration for the role will be considered in accordance with Council procedures and policies.

Information Technology

- 4.1 None directly arising out of this report.

Equalities Impact

5.1 None directly arising out of this report.

Corporate objectives and priorities for change

6.1 None directly arising out of this report.

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None directly arising out of this report.