



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**COUNCIL**

**WEDNESDAY, 27 MARCH 2024**

**Report of the Director - Legal and Democratic Services**

**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.

**2. Information and Analysis**

- 2.1 At its meeting on 5<sup>th</sup> December, the Audit Committee agreed that the composition of the Committee should be varied to include two co-opted independent members in accordance with CIPFA guidance. A copy of the report to the Audit Committee setting out the rationale for the introduction of the two co-opted independent members, together with the process for recruitment is attached at Appendix 2 and a summary of the key points is set out below:
- 2.2 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 investment in the Committee.
- 2.3 An Audit Committee workshop was held on 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.
- 2.4 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%)
- 2.5 The lack of 'lay' or co-opted independent members was specifically highlighted as an area of weakness with 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'.
- 2.6 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 and is appended to the Report to the Audit Committee which is attached at Appendix 2 of this report.
- 2.7 In light of this proposal, the terms of reference for the Audit Committee as set out at Article 10 of the Constitution require amending to reflect the addition of co-opted independent members. It is proposed that the Terms of Reference be amended to read as follows:

*“The Audit Committee will comprise at least six Councillors, but shall not include in its membership any member of the Cabinet, plus two independent, co-opted members”.*

- 2.3 This amendment was considered by the Governance Ethics and Standards Committee on 18<sup>th</sup> January 2024 and the Committee agreed that Article 10 of the Constitution be amended to change the composition of the Audit Committee to include two co-opted independent members and referred the amendment to full Council for approval.

### **3. Consultation**

- 3.1 This is an administrative decision and consultation is not required.

### **4. Alternative Options Considered**

- 4.1 Not to agree to the amendment to the Constitution. This would prevent the appointment of the two co-opted independent members which has been recommended by the Audit Committee and Governance, Ethics and Standards 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

### **7. Appendices**

- 7.1 Appendix 1 – Implications  
7.2 Appendix 2 – Report to the Audit Committee of 5<sup>th</sup> December 2023

### **8. Recommendation(s)**

That Council approves the amendment to terms of Reference for the Audit Committee at Article 10 of the Constitution to include two co-opted independent members.

## **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 made recommendations that were approved by Council on 14 February 2024.

### **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 Council's Constitution, approval from full Council is required.

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 full council after consideration of the proposal by the Governance, Ethics and Standards Committee. This requirement has been discharged following consideration of the proposal by the Committee on 18<sup>th</sup> January 2024.

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.