



ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
28 July 2022

Ward(s) Affected:

## **Making Provision for an Audit Committee with Independent Non-Voting Co-opted Members**

**Report by the Monitoring Officer**

**Officer Contact Details: Geoff Wild**

### **Executive Summary**

#### **1. Purpose**

- 1.1 The purpose of this Report is to inform Members of best practice for our Councils' audit function.
- 1.2 To change the name of the Councils' Joint Governance Committee to the Joint Audit and Governance Committee
- 1.3 To appoint two Independent co-opted Members to the Committee to assist with the Councils' audit function.

#### **2. Recommendations**

**The Joint Governance Committee is asked to:-**

- 2.1. Recommend to each Council the change of the name of the Councils' Joint Governance Committee to the Joint Audit and Governance Committee
- 2.2. Recommend to each Council the appointment of two Independent co-opted Members to the Committee to assist with the Councils' with the audit function.

- 2.3 Add to the Joint Committee's terms of reference a requirement to report on audit matters to both Adur and Worthing Full Councils on an annual basis in line with best practice guidance;
- 2.3 Prepare and submit an annual report to both full Councils reporting on the internal and external audit activities in the previous fiscal year.
- 2.3. Authorise the Monitoring Officer to make the required appointments and any necessary changes to the constitutions arising from this Report.

### **3. Context**

- 3.1 The Joint Governance Committee (JGC) currently carries out the joint Councils' audit function.
- 3.2 In 2019, the Government commissioned an independent review of the local audit framework. In July 2021, the 'Local Audit Framework Technical Consultation' document set out the Government's intention to establish an Audit Reporting and Governance Authority (ARGA).
- 3.3 The consultation also recommended that when parliamentary time allows, a stand alone Audit Committee will become compulsory for all Councils, with a requirement for at least one independent co-opted Member to be appointed to each Committee.
- 3.4 Until new legislation is made, the guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) recommends that all councils have an Audit Committee as part of robust good governance arrangements.
- 3.5 Combined authorities are already required to have an Audit Committee, and whilst it is not currently a statutory requirement for most types of local authority, it will become mandatory in the future.
- 3.6 Before then, and to fulfil the CIPFA recommended good practice, JGC is invited to recommend the appointment of a minimum of one independent co-opted non-voting Member to support the audit work of the Committee. This report recommends the appointment of our two existing Independent Persons for standards to fulfil these roles and recommends that the JGC be renamed as the Joint Audit and Governance Committee.

#### **4. The purpose of the Audit Committee**

- 4.1 Local government bodies are expected to meet high standards of governance and accountability. An audit committee provides a specialist forum that will support our Councils to maintain and improve effective governance, risk management, and internal control arrangements. They are essential if the Councils are to make best use of all its resources and minimise loss and waste.
- 4.3 The audit committee will also help the Councils to fulfil their responsibilities for accountability to the local community, and meet the expectations of partners, regulators, and other stakeholders.
- 4.4 As the primary point of contact for the Council's auditors, it provides a forum to review audit conclusions and recommendations. The committee can escalate key recommendations for action, ensuring that areas of concern are given proper attention.
- 4.5 Without an effective audit committee the Councils may not address weaknesses in its governance, risk and control arrangements at a sufficiently early stage. A good audit committee is part of the Councils' defence mechanism.
- 4.6 At Part 3 of the Councils' Constitution, Responsibility for Functions, the audits and accounts activity is currently as follows:-
- To consider the Head of Internal Audit's Annual Report and opinion and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
  - To consider reports dealing with the management and performance of the providers of internal audit services.
  - To consider reports on the Internal Audit on the recommendations agreed with the Heads of Service which have not been implemented within a reasonable timescale.
  - To consider the External Auditor's Annual Letter, relevant reports (both financial and strategic), and the report of those charged with governance.
  - To consider specific reports as agreed with the External Auditor.
  - To comment on the scope and depth of external audit work and to ensure it gives value for money.

- Power to undertake the Council's responsibilities with regard to External Auditors under Part 3 of the Local Audit and Accountability Act 2014.
- To commission work from Internal and External Audit.
- To review the Annual Statement of Accounts with specific emphasis on 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.
- To receive the Annual Risk Report.

4.7 In line with CIPFA good practice it is recommended that in addition to the above, the Committee should resolve to prepare and submit an annual report to both full Councils reporting on the internal and external audit activities in the previous fiscal year.

## 5. **Audit Committee Appointments and Support**

5.1 The current terms of reference for the JGC enables the appointment of up to three independent co-opted Members. Their role is to bring a fresh and objective view to the Joint Audit and Governance Committee. It is recommended that our existing Independent Persons for standards are also appointed as the two co-opted non-voting Members for audit purposes.

5.2 In accordance with CIPFA guidance, the independent co-opted members are expected to have suitable qualifications and/or experience in managing and interpreting accounts, and our existing Independent Persons have both confirmed their experience and suitability for the role. They will also receive the same training as our existing Members from the Council's Chief Finance Officer.

## 6. **Engagement and Communication**

6.1 No internal or external engagement has been taken in the preparation of this report.

## 7. **Financial Implications**

7.1 Other than payment of the pre-agreed allowance to the Independent Persons for attendance at the Committee which is contained within the budget, there are no financial implications arising from this report.

## **8. Legal Implications**

- 8.1 Each Council's external and internal auditors shall have the like powers set out in the Local Audit and Accountability Act 2014. Each Council shall at all reasonable times (including following the termination for whatever reason of this Agreement) allow or procure for any auditor for the purposes of an external or internal or audit:
- 8.2 s102(3) Local Government Act 1972 enables the committee to appoint persons who are not Members of the appointing authority to the committee as the co-opted independent non-voting Members.
- 8.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

## **Background Papers**

[Government response to local audit framework: technical consultation - GOV.UK](#)

## **Sustainability & Risk Assessment**

### **1. Economic**

Strong governance around audit is capable of strengthening the Councils' economic situation thereby benefiting our District and Borough.

### **2. Social**

#### **2.1 Social Value**

A strengthened more resilient financial position enables improved social value to the District and Borough

#### **2.2 Equality Issues**

There are no equality issues arising from this report.

#### **2.3 Community Safety Issues (Section 17)**

There are no community safety issues arising from this report.

#### **2.4 Human Rights Issues**

There are no human rights issues arising from this report.

### **3. Environmental**

There are no environmental issues arising from this report.

### **4. Governance**

- The proposals in this report ensure good governance arrangements and go towards avoiding any reputational damage arising from not having satisfactory arrangements in place as well as minimising financial risk.