

NORTH DEVON DISTRICT COUNCIL

COUNCIL: 11TH October 2006

AUDIT COMMITTEE

REPORT OF ASSISTANT CHIEF EXECUTIVE (LEGAL AND DEMOCRATIC)

1 INTRODUCTION

1.1 At its meeting on the 5th April 2006 Council adopted recommendations of the Overview and Scrutiny Committee as follows:

"94 TO CONSIDER THE APPOINTMENT OF AN AUDIT COMMITTEE

The Committee considered the outcomes of the Overview and Scrutiny Panel held on 5th April 2006.

RECOMMENDED:

- (a) that an Audit Committee not be formed at this time, however, there be an agreement in principle that the Council should appoint an Audit Committee;*
- (b) that an in-depth review be carried out by the Overview and Scrutiny Committee to establish the terms of reference for an Audit Committee and the Audit and Risk Panel of the Overview and Scrutiny Committee to ensure the most appropriate provision for the Council;*
- (c) that the outcomes of the review of the Overview and Scrutiny Committee be considered by the meeting of Council in August 2006."*

1.2 This report sets out the detailed work of the Overview and Scrutiny Committee as required by Council.

2 RECOMMENDATIONS

- 2.1. That Audit Committee be now established and that the Committee be politically balanced in accordance with the requirements of the Local Government and Housing Act 1989.
- 2.2. That Council determines the size of the Audit Committee. (see paragraph 5.2 below).

- 2.3. That Group Leaders be requested to notify the Chief Executive of their group nominations of members to serve on the Audit Committee.
- 2.4 That the proposed powers and duties of the Audit Committee and proposed Constitutional Article as detailed in the Overview and Scrutiny Committee report be submitted to the Standards Committee to enable the required amendments to the Constitution.
- 2.5. That training be provided for those Members appointed to serve on the Audit Committee prior to May 2007 and that a full training programme be put in place for Members appointed to serve on the Committee by the new Council in May 2007.

3 REASONS FOR RECOMMENDATIONS

To establish an Audit Committee as a Committee of the Council to facilitate the good corporate governance of the Council

4 CONSTITUTIONAL CONTEXT

4.1 The Council may appoint such Committees as it sees fit to discharge the non-Executive functions of the Council. Under the provisions of Appendix 2 of the Constitution the "duty to make arrangements for proper administration of financial affairs etc" is not a function of the executive.

4.2 Under the provisions of Article 9 of the Constitution the Standards Committee has the referred power to review, consider and make recommendations in respect of the Constitution, Standing Orders, powers and duties and Financial Regulations of the Council.

5 REPORT

5.1 The report of the Overview and Scrutiny Committee has been circulated with the Council agenda.

5.2 The HM Treasury guidance for the size of an Audit Committee is between 3 and 5 Members. However the average across the range of public sector organisations is between 3 and 11 Members

5.2 The political balance for a Committee of optional sizes from 3 x members to 11 x members is as follows:

Groups on Council

Committee size	Liberal Democrat	Conservative	North Devon Independent	Iffracombe Independent	Independence
3	2	1			
4	No	majority	for	largest	Group
5	3	1	*	*	
6	No	majority	for	largest	Group
7	4	2	*	*	
8	No	majority	for	largest	Group
9	5	2	1	1	
10	No	majority	for	largest	Group
11	No	majority	for	largest	Group

*** see 5.4.3 below**

5.3 The spreadsheet, which shows the calculation of the allocations, is attached as appendix to this report

5.4 It can be seen from the above table that

5.4.1 At the Committee sizes recommended by guidance the Independence Group will not be allocated a seat.

5.4.2 The “best fit” sizes are a Committee of either 3 or 9 Members.

5.4.3 If Council were to decide to establish a Committee of either **5** or **7** members, Council must decide to allocate one seat to **EITHER** the North Devon Independent Group **OR** the Iffracombe Independent Group. It will be seen from the Appendix the in order to meet the proportionality requirements of the overall allocation of seats this should go to the North Devon Independent Group.

5.5 The draft Constitutional Article excludes a member of the Executive from being a member of the Audit Committee.

6 RESOURCES

The establishment of an Audit Committee will require officer support, which can be met from existing resources.

7 HUMAN RIGHTS/EQUALITY/DIVERSITY

There are no human rights, equality or diversity issues associated with this report.

8. STATEMENT OF INTERNAL ADVICE

The chief Executive has had an input to this report and his comments are reflected within the text.

9. STATEMENT OF CONFIDENTIALITY

This report does not contain any information that is confidential or exempt information under the provisions of Schedule 12A of the Local government Act 1972 (as amended)

10. BACKGROUND PAPERS

The background papers used in the construction of this report are the report of the Overview and scrutiny Committee and the Local Government and Housing Act 1989 and subsequent regulations.

Background papers will be available for inspection and will be kept by the author of the report.

Don Pratt
Assistant Chief Executive (Legal and Democratic)
10-10-06