

# CHESHIRE FIRE AUTHORITY

**MEETING OF:** CHESHIRE FIRE AUTHORITY  
**DATE:** 27<sup>TH</sup> APRIL 2022  
**REPORT OF:** DIRECTOR OF GOVERNANCE AND COMMISSIONING  
**AUTHOR:** ANDREW LEADBETTER

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**SUBJECT:** CREATION OF AN AUDIT COMMITTEE

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## Purpose of Report

1. To consider the recommendations from Governance and Constitution Committee concerned with the creation of an audit committee.

## Recommended: That

- [1] An Audit Committee is created with the responsibilities contained in paragraph 4 of this report.
- [2] The Audit Committee have four elected members (appointed from the membership of Governance and Constitution Committee by that Committee) together with an independent audit member.
- [3] The appointment of the independent audit member be carried out by Governance and Constitution Committee (with the details of the appointment, e.g. remuneration, settled by that Committee).

## Background

2. The Governance and Constitution Committee (G&C) considered a report entitled 'External Auditor Recommendation – Audit Committee' (the G&C Report) at its meeting on 30<sup>th</sup> March 2022. The recommendation made by the external auditor was:

*We recommend that the Authority consider establishing a separate Audit Committee and to consider appointing an independent member with a suitable financial background as recommended by the Redmond review.*

The G&C Report is attached to this report as Appendix 1 and contains the full recommendation from the External Auditor.

## Information

3. The G&C Report was written on the basis that Members would decide to create an audit committee. G&C confirmed that it wished to do so. The G&C Report posed a number of questions aimed at helping officers to finalise the arrangements.

### Responsibilities

4. G&C was content with the responsibilities set out below, encompassing both external audit and internal audit.
  - a. To monitor the adequacy and effectiveness of the external audit of the Authority's services and functions and to:-
    - i. Approve the nature and scope of the external audit of the Authority's services and functions;
    - ii. Consider external audit reports;
    - iii. Monitor the Authority's response to the external auditor's findings and the implementation of external audit recommendations.
  - b. To monitor the adequacy and effectiveness of the internal audit arrangements and to: -
    - i. Approve the annual Internal Audit Plan;
    - ii. Monitor progress against the Plan through the receipt of periodic progress reports and an annual Internal Audit Report;
    - iii. Consider any internal audit that provides less than substantial assurance and/or includes any high or critical risk ratings;
    - iv. Monitor the response to Internal Audit Reports and the implementation of recommendations.
5. If these responsibilities are approved by the Fire Authority the existing responsibilities for audit that sit with Performance and Overview Committee (paragraph 3.28 of the Constitution) and G&C (paragraph 3.55 of the Constitution) will be deleted. However, the Fire Authority would retain its responsibility at paragraph 3.20 of the Constitution: Considers External Audit Findings and Value for Money Conclusion report (including approval of Audit Arrangements and Fees).

## Structure

6. The G&C Report set out five options for the audit committee. However, CIPFA guidance on audit committees advises that audit committees should be:

Separate - so that their responsibilities are not mixed in with/diluted with others; and

Independent – not part of the executive or scrutiny functions and not a sub-committee; it should have the ability to report directly to the Fire Authority.

7. After a short discussion G&C decided that the audit committee responsibilities appeared to be aligned with those of G&C.
8. With the above points in mind G&C decided that the audit committee should be a stand-alone body, but with members drawn from the membership of G&C.

## Membership

9. G&C decided that the membership of the audit committee should be four elected Members, plus an independent audit member.

## Independent Audit Member

10. G&C was happy to facilitate the appointment of the independent audit member. It supported an open advertisement, holding in reserve the potential to approach existing independent audit members from local audit committees.

## **Financial Implications**

11. The appointment of an independent audit member will have a relatively small financial impact. The payment associated with such roles in other public bodies does vary, with some paying a flat rate and others paying per meeting attended. The sum of £2,500 per annum appears to be the highest payment made to an independent audit member locally.

## **Legal Implications**

12. The creation of an audit committee is not a legal requirement. However, it is expected to enhance the Authority's governance arrangements.

## **Equality and Diversity Implications**

13. There are no equality and diversity implications arising from the decisions required in this report.

## **Environmental Implications**

14. There may be a small environmental impact if the additional meetings add to the occasions when Members are required to travel to Sadler Road. However, the intention would be to have Audit Committee meetings immediately after G&C meetings, wherever possible.

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**BACKGROUND PAPERS: NONE**