

AUDIT COMMITTEE QUORUM NUMBERS

1 Introduction

The following paper outlines regulations governing Audit Committee membership and quorum numbers at Non Departmental Public Body and Local Government level.

2 Non Departmental Public Bodies

Department of Finance and Personnel guidelines, *'Public Bodies: A Guide for Northern Ireland Departments'*, state that an Non Departmental Public Body (NDPB) should set up an Audit Committee "as a committee of its Board in accordance with the Cabinet Office's *Guidance on Codes of Practice*"¹, specifically the *Audit Committee Handbook*.²

DFP have also issued guidelines, outlining how the handbook should be applied in a Northern Ireland context.³ The guidelines state:

'In all circumstances, the audit committee should be chaired by a non-executive board member. The Code states that the audit committee should have at least three members, but was written in a context where it was assumed that all boards would have a minimum of two non executive members. Although this is not always the case in Northern Ireland DFP considers that public bodies should aim for a minimum membership of three on audit committees to ensure that a range of skills can be guaranteed'.⁴ (emphasis added)

This is reemphasised later in the document with the statement:

¹ Department of Finance and Personnel *Public Bodies: A Guide for Northern Ireland Departments – DAO (DFP) 14/07* October 25, 2007 http://www.aasdni.gov.uk/pubs/PBGNI/dao1407addend_attpbgni.DOC (accessed 15/10/09)

² HM Treasury *Audit Committee Handbook* March 2007 http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/documents/public_spending_reporting/governance_risk/psr_governance_risk_audit_committee_handbook.cfm (accessed 14/10/2009)

³ Department of Finance and Personnel *Audit Committees DAO (DFP) 07/07* July 4, 2007 <http://www.aasdni.gov.uk/pubs/DAOs/daodfp0707.DOC> (accessed 14/10/2009)

⁴ *Ibid*

*'In summary, DFP considers that in all cases membership should consist of a **minimum of three members**, at least one of whom is a non executive board member and the committee should be chaired by a non executive board member.'*⁵ (emphasis added)

As such, neither the HM Treasury Audit Committee Handbook, nor those guidelines advising on its application in a Northern Ireland context, specifically refers to quorum sizes. However, the statement *"in all cases membership should consist of a minimum of three members"* could reasonably be construed to imply a quorum of three.

Correspondence from the Department of Culture, Arts and Leisure to the Committee has made reference to this, stating:

*'...the level of quorum will vary on the size of the committee and **while a minimum of three is recommended this may not always be appropriate.***⁶(emphasis added)

The Northern Ireland Audit Office (NIAO) has confirmed this. Stating:

*'Given the potential for various numbers of members (on audit committees), no minimum level has been set in general guidance. However, it is usually set by each individual committee in its terms of reference. From our experience membership of audit committees for NDPBs is usually about three to four with a quorum of two to three.'*⁷

NIAO's own audit committee has a membership of three with a quorum of two.⁸

The Chartered Institute of Public Finance and Accountancy (CIPFA) were also contacted regarding the issue of quorums. Their audit committee trainer commented:

*"There is plenty of best practice guidance available on Audit Committees. They all suggest that ideal membership ranges between 3 and 7 members. There is no prescriptive number. It is important to recognise that they are a sub committee of the Departmental Board and are only advisory. They have no executive responsibility and so because they will not be taking executive decisions, they do not have to ever take a vote or make an executive decision. Therefore it does not matter particularly how many members there are or if it is an odd or even number"*⁹.

Similarly, quorum numbers are not explicitly outlined in the relevant guidance. As is the case with NIAO and DCAL, CIPFA are of the view that quorum numbers should be decided by the committee itself based upon committee membership numbers.¹⁰

⁵ *Ibid*

⁶ Department of Culture, Arts and Leisure DCAL Response – Report on the Cal Committee's review of the role of the Department of culture, Arts and Leisure in its management of the Northern Ireland Events Company and its other arms length bodies.

⁷ Correspondence with NIAO 16/10/2009

⁸ *Ibid*

⁹ Correspondence with CIPFA trainer 19/10/2009)

¹⁰ *Ibid*

3 Local Government

At Local Government level, the rules governing committee formation and proceedings are set out in the Local Government Act (Northern Ireland) 1972 (Chapter 9). Section 18 of the Act gives councils the power to appoint a committee “for any such general or special purpose as in the opinion of the council would be better regulated by means of committee”, as such, the governance of an Audit Committee would fall under these regulations.¹¹

The Act also regulates the rules governing quorums at council meetings, stating in Schedule 2, section 4(1), that no business shall be carried out at a meeting unless “at least one-quarter of the whole number of councillors are present”. However, section 12(1) of the same schedule states that for committee meetings a council may “make, vary and revoke standing orders respecting the quorum, proceedings and place of the committee or joint committee”, effectively enabling the council itself to determine its own quorum numbers.¹²

Table 1 outlines audit committee quorum numbers across each council area. The figures were compiled via telephone communication with each council. Gaps in the table are due to difficulties in contacting a specific council or a particular council being unable to respond within the required timeframe. Whilst there is some variation, specifically among the councils with larger audit committee membership (Newry and Mourne and Ballymena for example), it appears that a quorum of three is the most commonly adopted lower limit amongst councils.

¹¹ Local Government Act (Northern Ireland) 1972 (Chapter 9)
http://www.opsi.gov.uk/RevisedStatutes/Acts/apni/1972/capni_19720009_en_1

¹² *Ibid*

Table 1 Quorum Numbers in Northern Ireland Council Audit Committees¹³

| Council | Quorum | Membership |
|--|---------------|-------------------|
| Antrim Borough Council | 3 | 6 |
| Ards Borough Council | 4 | 8 |
| Armagh City and District Council | *4 | +8 |
| Ballymena Borough Council | 6 | 24 |
| Ballymoney Borough Council | - | - |
| Banbridge District Council | 3 | 8 |
| Belfast City Council | 5 | 20 |
| Carrickfergus Borough Council | 3 | 10 |
| Castlereagh Borough Council | 4 | 5 |
| Coleraine Borough Council | 3 | 5 |
| Cookstown District Council | **2 | 7 |
| Craigavon Borough Council | 3 | 8 |
| Derry City Council | **3 | 8 |
| Down District Council | 3 | - |
| Dungannon and South Tyrone Borough Council | 3 | 11 |
| Fermanagh District Council | 3 | - |
| Larne Borough Council | 3 | 7 |
| Limavady Borough Council | 3 | 5 |
| Lisburn City Council | - | - |
| Magherafelt District Council | - | - |
| Moyle District Council | - | - |
| Newry and Mourne District Council | 9 | 16 |
| Newtownabbey Borough Council | 3 | 5 |
| North Down Borough Council | 3 | 11 |
| Omagh District Council | - | 8 |
| Strabane District Council | 3 | 11 |

* or 3 in the case of sub-committees

**Councillors

+ 10, with two lay members to be recruited

19 October 2009

¹³ Compiled via telephone conversation with councils 14/10/09