

<b>Local Members Interest</b>
N/A

## **Audit and Standards Committee - Tuesday 19 September 2023**

### **Potential Appointment of Independent Members to the Audit and Standards Committee**

#### **Recommendation(s)**

I recommend that:

- a. To consider the option of appointing co-opted Independent Members to serve on the Audit & Standards Committee in line with guidance produced by CIPFA within its 2022 'Position Statement: Audit Committees in Local Authorities and Police'.
- b. If Members wish to explore this option further, to request the preparation of the associated recruitment documentation, for their review and approval.

#### **Report of the Director of Finance**

### **Report**

#### **Background**

1. In October 2022 CIPFA published its updated 'Practical Guidance for Local Authorities and Police'. This set out its guidance on the function and operation of audit committees in local authorities and police bodies and represented CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. This publication incorporated CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022) ("the position Statement") which set out CIPFA's view of the role and functions of an audit committee and replaced the previous 2018 Position Statement.
2. The revised and updated 2022 edition expanded on its 2018 guidance which considered the inclusion of an independent member on the Audit Committee. The membership and effectiveness of the Audit Committee section has been updated in the 2022 guidance, to consider the appointment of additional co-opted independent members which is an important step in ensuring that the Audit Committee can undertake its work effectively. CIPFA also states that the appointment of co-opted

independent members on the committee should consider the overall knowledge and expertise of the existing members. The objective of including such members is to increase the knowledge and expertise base of the committee, reinforcing its independence.

3. In order to confirm what the role of the co-opted independent member of the committee should be CIPFA has provided the following guidance. 'The role description for a co-opted independent member should be the same as for an elected representative who is a committee member. The only substantial difference will be that a co-opted member cannot vote on council policy, so will not be able to take part in the decision, though they can contribute to the discussion prior to the formal decision.'
4. Research has been carried out to ascertain the extent of Independent Members being appointed to Audit Committees within Local Government, based on information shared via the Society of County Treasurers. From the 28 responses collected, 57% had already appointed at least 1 independent member. A further 21.5% were actively looking into recruiting a member/ had been out to source an individual but had been unsuccessful and considering next steps. The final 21.5% did not report any activity regarding independent members.
5. Previous work was undertaken in 2020 to establish the skills/attributes required of an Independent Member contained in person specifications, the following generic criteria were customary present in the recruitment information reviewed and are still considered to be relevant in light of the 2022 revised guidance i.e.:
  - a). Experience
    - Membership or involvement in any organisational environment where decisions are taken in meetings
    - A good understanding of finance and of the concepts of internal control, corporate governance, risk management and performance management
  - b). Qualifications
    - Over 18 years of age
    - Lives or works within the area of the Council
  - c). Disqualifications
    - A person may not be an Independent Member of the Audit Committee for the following reasons
    - Employment by or Membership of X Council in the last 5 years or current employment by or membership of any local authority
    - Any bankrupt or person who has made a composition or arrangement with creditors which is extant

- Having, within 5 years of the appointment, a conviction for an offence resulting in a sentence of imprisonment (whether or not suspended) or a period of not less than 3 months without the option of a fine.
- A disqualification for being elected or being a member of an authority under the Representation of the Peoples Act 1983 (corrupt electoral practices) or under the Audit Commission Act 1998 (unlawful local authority expenditure)
- Being a relative or close friend of a member or officer of X Council

d). Skills, Knowledge, Abilities and Personal Qualities

- A person who is an active and respected member of the community
- A person with knowledge of Local Government
- A person willing to serve the public interest and the local community
- A person who can demonstrate honesty and integrity which has never been impugned
- A person with the ability to look at issues objectively and make decisions on their merit
- A person who can put aside all political affiliations when making decisions
- A person who understands the concept of accountability
- A person willing to give reasons for decisions or actions taken in a spirit of openness whilst respecting issues of confidentiality
- A person who can take account of the views of others, work with others but is able to reach their own conclusions on issues before them
- A person who can show respect for others including a commitment to equal opportunities and the impartiality and integrity required of Council Officers
- A person who can demonstrate an understanding of the duty to uphold the law and trust placed on them

e). Other Requirements

- An ability and commitment to attend X formal meetings a year, plus ad-hoc sessions and training events

6. With regard to payment for undertaking the role, typically it was an unpaid role or one which attracted a small sum. Potential benefits have been identified as 'bringing an alternative and helpful perspective to the work of the Audit Committee'.

7. CIPFA's 2022 guidance also highlighted some potential pitfalls to the use of independent members that should also be borne in mind.

- Over-reliance on the independent members by other committee members in local authorities can lead to a lack of engagement across the full committee.
- A lack of organisational knowledge or context among the independent members when considering risk registers or audit reports.
- Both independent members and officers must try to establish an effective working relationship and appropriate protocols for briefings and access to information.

These factors should be considered when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

8. Following the Review of the Effectiveness of the Audit & Standards Committee workshop event in May 2023, it was considered that Members re consider the option of recruiting/co-opting a suitably qualified independent individual onto the Committee. This report has set out the benefits and potential pitfalls of the process to support Members in determining the way forward on this matter.

### **Equalities Implications**

There are no direct implications arising from this report

### **Legal Implications**

Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations specifically require that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”

### **Resource and Value for Money Implications**

The net budget of the Internal Audit Section is £1,027,510.

### **Risk Implications**

Whilst there are no direct risk implications arising from this report, the Audit & Standards Committee objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Where relevant, the results of individual reviews will link into the County Councils Annual Governance Statement, providing assurance on the operation of key controls.

## **Climate Change Implications**

There are no direct climate change implications arising from this report.

## **List of Background Documents/Appendices:**

- CIPFA – Practical Guidance for Local Authorities and Police 2022 Edition.
- Potential Appointment of Independent Members to Audit Committees – January 2020
- Review of the Review of the Effectiveness of the Audit & Standards Committee Report – September 2023
- Review of the Audit & Standards Committee Terms of Reference Report – September 2023

## **Contact Details**

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