AUDIT & GOVERNANCE COMMITTEE

23 JULY 2020

REPORT OF THE HEAD OF AUDIT AND GOVERNANCE & MONITORING OFFICER

INDEPENDENT MEMBER/S OF THE AUDIT COMMITTEE – PRO'S AND CONS

EXEMPT INFORMATION

None.

PURPOSE

To brief the Audit & Governance Committee on the 'pros and cons' of appointing independent member/s to the Audit & Governance Committee and a proposed roadmap for a potential appointment process should the Committee wish to proceed when considered appropriate to do so.

RECOMMENDATIONS

1. **That the Committee consider this report and decide whether to proceed with appointing independent member/s to the Audit & Governance Committee (and if so, whether remunerated).**

EXECUTIVE SUMMARY

BACKGROUND

CIPFA's published guidance Audit Committees Practical Guidance for Local Authorities and Police 2018 which sets out CIPFA's views on the role and functions of an Audit Committee, recommends that Audit Committee's give due consideration to the inclusion of at least one independent member (where it is not already a mandatory requirement).

On considering this as part of the Audit & Governance Committee's effectiveness at the last Committee (13 February 2020), Members requested that a report on the 'pros and cons' of appointing independent member/s to the Committee and a proposed timeline for a potential appointment process be brought to a subsequent meeting of the Committee.

The Audit & Governance Committee's current terms of reference provides for at least 7 members (aligned with the political balance of the Council) and the option to co-opt up to 2 independent members.

In terms of the voting rights of independent members, there needs to be regard to Section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected committee members. Where the audit committee is operating as an advisory committee under the Local Government Act 1972, making recommendations rather than policy, then all members of the committee should be

able to vote on that recommendation. If the council wishes to delegate decisions to the committee, for example the adoption of the financial statements, then the independent member will not be able to vote on those matters for decision.

Pros of Independent Members

Good practice shows that co-option of independent members is beneficial to Audit Committees for the following reasons:

- An external view can often bring a new approach to committee discussions.
- To bring additional knowledge and expertise to the committee where there may be skills gaps.
- To reinforce the political neutrality and independence of the committee.
- To maintain the continuity of committee membership where membership is affected by the electoral cycle.

Cons of Independent Members

There are some potential pitfalls to the use of independent members:

- Over-reliance on independent members by other committee members can lead to a lack of engagement across the full committee.
- Lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports. Effort is required from both independent members and officers/staff to establish an effective working relationship and establish appropriate protocols for briefings and access to information.

Roadmap for Appointment of an Independent Member/s

Should the Committee wish to progress to recruiting independent member/s, the following roadmap is proposed. A timeline is to be confirmed, due to the current restrictions arising from the Covid-19 situation:

Roadmap	Timeline
Role profile for independent member to be drawn up and agreed. Committee to agree the recruitment process and number of independent members required (up to 2).	To be Confirmed (TBC)
Vacancy to be publicly advertised. Candidates to be able to demonstrate their political independence and their suitability has to be checked e.g. candidates must not: • be a Councillor or officer of the Council or have been so in the preceding five years prior to appointment; • be related to, or a close friend of, any Councillor or officer of the Council; • have been convicted of any offence. The Council has the right to DBS check any independent committee members; • be an undischarged bankrupt • have significant business dealings with the Council; • have a formal connection with any political group; • have a proven history of vexatious and/or frivolous complaints against the Council;	

• be the holder of a significant office in an organisation being grant aided / supported by the Council.	
Selection process to take place.	
Independent member/s appointed. This should be for a fixed term (usually 3 years) and be formally approved by the Council. Remuneration to be decided. Provision to be made for early termination and extension to avoid lack of clarity in the future.	
Independent Member/s commence. While operating as a member of the audit committee, the independent member/s would be required to follow the same code of conduct as elected members and a register of interests be maintained.	

RESOURCE IMPLICATIONS

Usual practice is to reimburse reasonable travelling expenses. Some Council's offer an annual allowance (recent adverts include – Kent County Council £1,500, London Borough Richmond £300). This would need to be decided and met from existing internal audit budgets.

LEGAL/RISK IMPLICATIONS BACKGROUND

Attracting suitable candidates for an independent member position is usually challenging, particularly as independent members tend to be non-remunerated. Time and resources may be spent on recruitment which may not produce a suitable candidate / appointment. This is also a particularly salient consideration at the present time with the Covid-19 situation.

EQUALITIES IMPLICATIONS

None.

SUSTAINABILITY IMPLICATIONS

None.

BACKGROUND INFORMATION

None otherwise stated above.

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