
APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT COMMITTEE

1 PURPOSE OF REPORT

- 1.1 To recommend to Full Council that an Independent Member is appointed to the Council's Audit Committee from the start of the new municipal year 2023/24, as recommended by central government following the Redmond Review, and in line with CIPFA best practice.

2 INTRODUCTION

- 2.1 The government response in June 2022 to the Local Audit Framework: Technical Consultation set out plans to strengthen local audit framework in response to Redmond Review. It confirmed that when parliamentary time allows audit committees will be made compulsory for all local councils, with at least one independent member required on each committee. This follows the CIPFA detailed guidance on the function and operation of audit Committees in Local Authorities which endorsed the approach of mandatory inclusion of a lay or independent member and recommended that, for authorities for whom it is not a requirement at present, they actively explore the appointment of an independent member to the Committee.
- 2.2 Ahead of any legislative requirement being implemented, it is recommended that the Council's Audit Committee therefore takes steps to introduce an independent member onto the committee (subject to Full Council agreement) so that an appropriate person can be recruited ahead of the next municipal year.

3 APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT COMMITTEE

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced detailed guidance on the function and operation of audit committees in Local Authorities.
- 3.2 This represents best practice for audit committees in Local Authorities throughout the UK and incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018). The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and highlights that audit committees are a key component of an authority's governance framework.
- 3.3 Guidance stipulates that the purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes, but that the way in which an audit committee is organised varies depending on the specific political and management arrangements in place.

- 3.4 It is important that Members of the Committee have a mix of skills and experience in relation to financial matters, assurance and governance; in this respect it is recommended that particular consideration is given to introducing an independent member, with specific Finance/Audit or Governance background to bring support to the independent challenge of the Council's arrangements.

Requirement for Independent Members

- 3.5 The composition of the committee is a key factor in achieving the characteristics of a good audit committee. Audit committees in Welsh Local Authorities, Combined Authorities in England and in Police audit committees in England and Wales are subject to specific rules on the composition of the committee, requiring lay or independent members on the committee. In other parts of the Local Authority sector there are no statutory requirements that determine the composition of the audit committee, although a significant number have already introduced at least one independent member.
- 3.6 Central government guidance on audit committees reinforces that they are a vital part of an organisation, supporting good governance, strong public financial management and effective internal audit and external audit. The Redmond Review, an independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit, recommended that local authorities should review their governance arrangements, including 'the composition of their audit committees to include at least one independent member, suitably qualified'. CIPFA endorses the approach of mandatory inclusion of a lay or independent member and recommends that, for authorities for whom it is not a requirement (at present), they actively explore the appointment of an independent member to the Committee.
- 3.7 The introduction of independent members can be beneficial to the audit committee in many ways, including:
- Ensuring a mix of skills and experience in relation to financial matters, assurance and governance.
 - Bringing additional knowledge and experience to the Committee.
 - Injection of an external view can often bring a new approach to committee discussions.
 - Reinforce the political neutrality and independence of the Committee.
 - Maintain continuity of committee membership where membership is affected by the electoral cycle.

Voting Rights of independent Members

- 3.8 The Council's Audit Committee has been delegated authority to make decisions by the Council which the independent member would not have voting rights on. The Committee does have an advisory role as well, upon which the independent member could vote. It is however, recommended

that the independent member be appointed without any voting rights initially in order to avoid any confusion. The position shall be subject to review in due course to ensure that the arrangements are appropriate and effective.

Recruitment Process

- 3.9 Attached at Enclosures No. 2 and 3 are a role specification and role description to be agreed by Audit Committee for the independent member. These clearly sets out the role and responsibilities of the independent member, together with the relevant knowledge and experience required.
- 3.10 The vacancy would be publicly advertised and candidates would be required to demonstrate their political independence and suitability for the role. This would be assessed as part of the formal recruitment process. The Council may only appoint someone who makes a formal application.
- 3.11 It is being recommended that Council delegates the recruitment of the independent member to the Director of Resources, in consultation with the Chair of Audit Committee.
- 3.12 It is proposed that the independent member appointment would be for a term of two years with the option to be extended for a further two years, in line with recommendations from the Committee on Standards in Public Life. While operating as a member of the Audit Committee, the independent member would be required to follow the same Code of Conduct as elected Members, with the requirement to complete the Register of Interests.

Remuneration

- 3.13 The Local Authority (Members' Allowances) (England) Regulations 2003 provide for the Council to pay an allowance to co-optees. It is proposed that the role attracts an allowance of £1,250 per annum which is commensurate with other local similar local authorities.

OPTIONS

Option 1 – to appoint an independent member (without voting rights) to the Audit Committee, with effect from the beginning of the 2023/24 municipal year. This is the recommended option as it will bring independent challenge of the council's arrangements and reinforce political neutrality and independence of the committee, in line with recommended practice.

Option 2 – Do nothing. This is not recommended as the opportunity to bring independent challenge of the council's arrangements and reinforce political neutrality and independence of the committee, in line with recommended practice, would be lost. It is also considered that it is likely that new legislation will be brought forward making it a statutory requirement for all Local Authorities to appoint an independent or lay person to the Audit Committee.

4 RISK IMPLICATIONS

- 4.1 There is a risk that if the Council does not act now to implement recommended best practice it will have to act quickly once the legislation is enacted.
- 4.2 There is a risk that without an independent Member the Audit Committee will not have the right mix of skills and experience in relation to financial matters, assurance and governance to fulfil its duties to the highest possible standard.

5 ENVIRONMENTAL IMPLICATIONS

- 5.1 None.

6 RESOURCE IMPLICATIONS

- 6.1 A member allowance of £1,250 p.a. would be incurred if agreed.

7 LEGAL IMPLICATIONS

- 7.1 Although there is not currently a legislative requirement to appoint an Independent Member to Audit Committee, central government has stated its intention to bring the Act into force imminently.
- 7.2 The Local Government and Housing Act 1989 makes provision with respect to the Members, officers and other staff and the procedure of Local Authorities. Specifically Section 13 relates to the voting rights of non-elected committee members.
- 7.3 The Accounts and Audit Regulations 2015 impose requirements on a Local Authority in relation to governance, internal control, financial reporting and internal audit

8 EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 None as there is no decision being made.

9 CRIME AND DISORDER IMPLICATION

- 9.1 None.

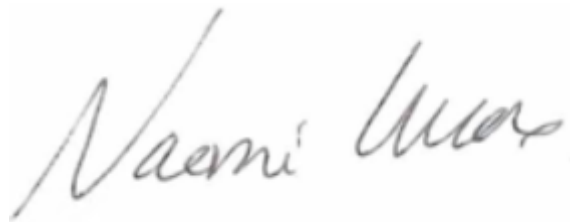
10 PARISH IMPLICATIONS

- 10.1 None.

11 RECOMMENDATION

- 11.1 It is proposed that the Committee RECOMMENDS to Council

- 1) That an Independent Member is appointed to the Council's Audit Committee from the start of the new municipal year 2023/24, as recommended by central government following the Redmond Review, and in line with CIPFA best practice.
- 2) That it delegates the recruitment of the independent member to the Director of Resources, in consultation with the Chair of Audit Committee.



Naomi Lucas

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Background Papers: -

None.

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ROCHFORD DISTRICT COUNCIL

INDEPENDENT MEMBER OF THE AUDIT COMMITTEE: SPECIFICATION

Why has this role been established?

The composition of the Audit Committee is a key factor in achieving the characteristics of a good Audit Committee. Audit Committees in Welsh Local Authorities, Combined Authorities in England and in Police Audit Committees in England and Wales are subject to specific rules on the composition of the committee, requiring lay or independent members on the committee.

In other parts of the Local Authority sector there are no statutory requirements that determine the composition of the Audit Committee, although a significant number have already introduced at least one independent member. The Chartered Institute of Public Finance and Accountancy (CIPFA) endorses the approach of mandatory inclusion of a lay or independent member and recommends that for authorities, for whom it is not a requirement, they actively explore the appointment of an independent member to the committee.

Such arrangements provide for the Council to appoint an independent member to bring support to the independent challenge of the council's governance arrangements.

Rochford District Council has decided to appoint one independent member to the Audit Committee.

What is the role of an Independent Person?

To independently assist the Council to discharge their powers and functions as set out in the terms of reference of the Audit Committee.

What is the Audit Committee?

The Audit Committee is a Non-Executive Committee whose role is to provide independent assurance to the Council of the adequacy of the overall corporate governance and internal control environments including the associated approach to risk management, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weaknesses in the control environment, as well as to oversee the financial reporting process.

The Committee consists of eleven Councillors reflecting the political composition of the Council, with the membership being agreed at the Annual Council Meeting.

Who is eligible?

A person cannot be considered for appointment if he/she:-

- Has been an employee or elected Member of the Council in the last five years;
- Is a relative or close friend of an employee or Member of the Council;

Enclosure 2

For this purpose, “relative” means –

- a. A spouse or civil partner;
- b. Living with the person as husband and wife or as if they were civil partners;
- c. A grandparent of the person;
- d. A lineal descendent of a grandparent of the person;
- e. A parent, sibling or child of the person;
- f. A spouse or civil partner of c., d. or e. above;
- g. Living with a person defined at c., d. or e. above as husband and wife or as if they were civil partners

How long is the appointment?

The Council will appoint the independent member to a two-year term.

Do I have to live or work in the District?

Not necessarily, but a connection to the District will add to the merits of your application.

How will the successful candidate be appointed?

The positions are being advertised publicly via the Council’s website. The Council may only appoint someone who makes a formal application. Appointment will be made by the Council’s Director or Resources, in consultation with the Chair of the Audit Committee.

What sort of person is the Council looking to appoint?

Ideally, the Independent Member will live or work in the district of Rochford and understand the area and some of the issues facing it. They should be impartial, have a good standing in the community, and support the Council’s goals of being accountable, open, principled and committed to equality opportunities.

Specific Finance/Audit or Governance experience is specified and the person should also be able to demonstrate probity and high ethical standards. It is important that the Independent Member has the profile and experience that the community would recognise and respect as bringing an independent and informed perspective to the process.

The Independent Member will be asked to sign up to the Council’s Code of Conduct for Members.

Is the position paid?

The Independent Member will be entitled to a payment of approximately £1,250 a year under the Council’s Members’ Allowances Scheme.

How much time does it involve?

Enclosure 2

The estimated time commitment required to undertake the role can vary, but on average it would involve attendance at four meetings of between one to three hours, plus associated preparatory reading. Committee meetings are generally held in the evening.

ROCHFORD DISTRICT COUNCIL

INDEPENDENT PERSON: ROLE DESCRIPTION

The Audit Committee is a crucial mechanism for supporting the Council in ensuring that there are effective processes in place for governance, internal control and risk management. As an Independent Member of the Audit Committee you will provide insight and strong constructive challenge.

Role and Responsibilities of the Audit Committee

1. Duty to approve the authority's statement of accounts.
2. To provide independent assurance to the Council of the adequacy of the overall corporate governance and internal control environments including the associated approach to risk management, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weaknesses in the control environment, as well as to oversee the financial reporting process.
3. To consider the effectiveness of the authority's overall governance and control environment, risk management and anti-fraud and corruption arrangements.
4. To review and approve the Council's Local Code of Corporate Governance and the Annual Governance Statement.
5. To review and approve the organisations Risk Management Policy and the Counter Fraud Policy.
6. To seek assurance that action is being taken on risk related issues identified by Internal and External Audit and Inspections.
7. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
8. To ensure that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions to improve it.
9. To approve (but not direct) the Internal Audit Strategy, Plan, and monitor the performance.
10. To receive reports on the performance of Internal Audit together with their key findings, seeking assurance that action has been taken where necessary.
11. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations, as appropriate.
12. To consider reports of External Audit and Inspection Agencies.
13. To ensure that there are effective relationships between External and Internal Audit, Inspection Agencies and other relevant bodies and that the value of the audit process is actively promoted.
14. To review the External Auditor's opinion and reports to Members and monitor management action in response to the issues raised by External Audit.
15. To review arrangements for Strategic Risk Management and monitor the key corporate risks.
16. To consider the Council's Anti-Fraud and Corruption arrangements.

Person Specification:

1. Uphold the highest ethical standards of integrity and honesty, and be able to demonstrate an understanding of, and commitment to, the values and importance of the Seven Principles of Public Life.
2. Ability to be objective, independent and impartial.
3. Ability to make clear and reasoned decisions. Analytical skills including the ability to weigh / sort complex evidence and reach rational conclusions, incorporating appropriate advice.
4. A good communicator with excellent leadership and interpersonal skills, able to both empower and challenge supportively.
5. Ability to challenge and hold to account Council Officers and representatives of internal and external audit.
6. Demonstrable skills, knowledge and experience relevant to the work of the Audit committee including: accounting, risk management, Governance, Counter Fraud, internal/external audit.
7. Experience of working with Audit Committees in a large or complex delivery organisation in either the public or private sectors.
8. Good grasp of relevant legislation, including the Accounts and Audit Regulations, Freedom of Information, Data Protection.
9. Knowledge of the challenges facing Rochford District Council and wider public services and understanding of its communities.
10. Knowledge of the major functions of Rochford District Council.
11. Knowledge of Rochford District Council's vision and priorities.
12. Membership of a recognised UK accounting or Auditing institution.