

Title of report: Independent Member Appointment to Audit & Governance Committee

Meeting: Audit and Governance Committee

Meeting date: Wednesday 27 September 2023

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

The purpose of this report is to seek Members' views on the appointment of an Independent Member to the Audit & Governance Committee.

Recommendation(s)

That:

- (a) The Committee note the information provided on the appointment of an Independent Member to the Audit Committees;**
- (b) The Committee considers the skills and experience required in an Independent Member;**
- (c) Nominates the Chair and at least 2 further members of the Committee to perform the recruitment and interview of the Independent Member; and**
- (d) Delegates to those members of the Committee authority to make recommendation to full Council to appoint the Independent Member.**

Alternative options

1. At present there is no statutory requirement to determine that local authorities must appoint independent co-opted members. The Committee may opt not to recommend an independent

member. With increased national focus on public accountability, effective governance and the role of Audit Committees, an appointment of an independent member would support a culture of transparent decision making and accountability.

Key considerations

2. The role of the council's Audit & Governance Committee ('the Committee') is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes. The Committee's full range of functions are recorded in Part 3 paragraphs 3.5.8 to 3.5.16 of the Constitution.
3. The Local Audit and Accountability Act 2014 (the 2014 Act) abolished the Audit Commission and introduced a new statutory audit regime for local government to replace the previous arrangements.
4. In June 2019, The Secretary of State for Housing, Communities and Local Government asked Sir Tony Redmond to undertake an Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. The purpose of this review was to examine the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. The findings of the Redmond Review fall into three main topics:
 - Local audit arrangements;
 - Governance arrangements;
 - Financial reporting
5. The Review recommended that local authorities appoint at least one independent member to Audit Committees to ensure they have the necessary expertise to carry out their role effectively and, following the review, strengthened guidance was developed by the Chartered Institute for Public Finance and Accountancy (CIPFA).
6. The updated CIPFA Guidance for Audit Committees in Local Government, issued in 2022, supports the Redmond Review recommendation, and states:

"The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise."
7. The Constitution currently permits Council to appoint an additional independent person to the 7 member Committee. The independent person is permitted to take part in all deliberations of the Committee but can only vote where the Committee is making an advisory decision and cannot vote (but can take part) where the Committee is discharging a function. Nevertheless, it is expected that the appointment of a suitable qualified and experienced independent member will bring specialist knowledge and insight to the workings and deliberations of an Audit Committee which, when partnered with the knowledge of working practices and procedures of existing Members will provide:
 - An effective independent assurance of the adequacy of the risk management framework.
 - Independent review of the Authority's financial and non-financial performance.

- Independent challenge to and assurance over the Authority's internal control framework and wider governance processes.
 - Oversight of the financial reporting process.
 - bring additional knowledge and expertise to the committee
 - reinforce the political neutrality and independence of the committee
 - maintain continuity of committee membership where membership is affected by the electoral cycle/group appointments.
8. The appointment of the Independent Member must be made by Full Council. The recommendation is that a recruitment process is commenced and that interviews are undertaken by 3 members of the Committee and the Chair shall make the recommendation to Full Council.

Community impact

9. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

Environmental Impact

10. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
11. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy

Equality duty

12. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
13. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is an annual opinion report, we do not believe that it will have an impact on our equality duty.

Resource implications

14. Any costs associated with the recruitment, selection, appointment and subsequent disbursements to any independent panel members would need to be contained from within existing revenue service budgets.

Legal implications

15. Although there is no legislative requirement to have an Audit & Governance Committee, the functions have been delegated to the Committee under the Local Government Act 1972 as a committee of council. Its purpose is defined in Part 3 of the Constitution and it is to give assurance to elected members and the public about the governance, financial reporting and performance of the Council.
16. Section 102(3) of the Local Government Act 1972 stipulates that a committee which discharges a function of the Council can include co-opted members. Section 13(1) of the Local Government and Housing Act 1989 provides that a co-opted member of a committee established under the Local Government Act 1972 as a committee *discharging the functions of the Council* must be a non-voting member. However, it is possible in certain circumstances to for a co-opted member to have voting rights on the Committee where the items are discussed on advisory basis under section 102(4) of the Local Government Act 1972.
17. The role and function of the Audit & Governance Committee, as set out in the Constitution fulfils both an advisory role and also discharges some functions of the Council (approving terms of reference and strategy for internal audit, review and approval of annual statements of accounts and approval of the Annual Governance statement). Therefore, whilst co-opted members can be appointed to the Committee, they could not be given voting rights where functions are being discharged. Therefore, they are able to be fully involved on the Committee for all matters but where an item is to discharge a function, then their involvement would be in a consultative manner, with their views being taken into account by voting members of the Committee.
18. As the independent member has the ability to vote on advisory items (not discharging a function) they are considered to be a co-opted member for the purposes of s27(4) of the Localism Act 2011 and would be required to register their private interests and comply with the Council's Code of Conduct.

Risk management

19. Subject to appropriate recruitment procedures and adherence to an approved Person Specification, this appointment would augment the Audit & Governance Committee's independence, provide additional expertise and provide an opportunity for the community to play an enhanced role in the governance of the council.

Consultees

20. None

Appendices

Appendix A: Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Background papers

None identified