

COUNCIL	AGENDA ITEM No. 13(b)
26 JANUARY 2022	PUBLIC REPORT

Report of:	Fiona McMillan, Director of Law and Governance and Monitoring Officer	
Cabinet Member(s) responsible:	Councillor Wayne Fitzgerald, Leader of the Council	
Contact Officer(s):	Fiona McMillan, Director of Law and Governance and Monitoring Officer	Tel. 452409

APPOINTMENT OF INDEPENDENT AUDIT COMMITTEE MEMBERS AND CHAIR

RECOMMENDATIONS	
FROM: <i>Director of Law and Governance</i>	Deadline date: <i>26 January 2022</i>
<p>It is recommended that Council:</p> <ol style="list-style-type: none"> 1. Agrees to appoint Chris Brooks to the position of Chair of the Audit Committee for a term of four years ending in May 2026, with the position being awarded an honorarium of £3000 per annum, plus travelling and subsistence expenses. 2. Agrees to appoint Mike Langhorn and Dr Stuart Green as independent members of the Audit Committee for a term of four years ending in May 2026, with the positions being awarded honorariums of £1500 per annum, plus travelling and subsistence expenses. 3. Agrees the revised Audit Committee Terms of Reference at Appendix 2 to the report. 	

1. PURPOSE AND REASON FOR REPORT

- 1.1 The purpose of this report is for Full Council to agree the appointment of three independent members to the Council's Audit Committee, including the appointment of one of those members as an independent Chair of the Audit Committee.

2. BACKGROUND AND KEY ISSUES

- 2.1 Full Council at the extraordinary meeting on 16 December 2021 agreed unanimously to
1. The delegation of authority to the Chief Executive, Director of Law and Governance & Monitoring Officer and the Corporate Director of Resources & S151 Officer, to take all necessary actions in conjunction with CIPFA to carry out a recruitment and selection process for three external independent members of the Audit Committee, subject to ratification of the appointments for a fixed term of 4 years by Full Council on 26th January 2022; and
 2. The honorarium payment for the two independent members to be set at £1500 per annum and the honorarium payment for the independent chair at £3000, plus travelling and subsistence expenses.
- 2.2 As stated in the December report the Council needs to strengthen the membership and leadership of the Audit Committee in order to properly respond to the recommendation of the DHLUC Local

Government Finance Review that consideration be given to appointing a Chair and external independent members:

“The membership of the Council’s Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence”

This is in line with recommended best practice for Audit Committees. CIPFA’s guidance on Audit Committees: “Audit Committees: Practical Guidance for Local Authorities and Police (2018)” states:

“Good practice shows that co-option of independent members is beneficial to the audit committee” as “The injection of an external view can often bring a new approach to committee discussions”.

The guidance also states:

“CIPFA endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.”

2.3 Authorities that have chosen to recruit independent members have done so for a number of reasons:

- to bring additional knowledge and expertise to the committee
- to reinforce the political neutrality and independence of the committee
- to maintain continuity of committee membership where membership is affected by the electoral cycle.

There are some potential risks to the use of independent members which should also be borne in mind:

- over-reliance on the 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 16
- 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.

Any new members to the Audit Committee will need an appropriate level of support and induction along with identification of appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding of the Council and its processes.

2.4 The current membership of Audit Committee is seven, politically proportionate and agreed at Annual Council each year. Council agreed that as part of this process this meeting will now be chaired by an independent member, instead of a Councillor drawn from the majority party. Section 13 of the Local Government and Housing Act 1989 relates to the voting rights of non-elected committee members and provides that independent co-opted members will not be able to vote on matters for decision.

2.5 The positions were advertised both locally and nationally the day after the December Council meeting, with applications closing on 4th January. There was a considerable interest in the positions with a very good number of high-quality applications received. Interviews took place on the 14th January with the interview panel consisting of the Acting s151 officer, Director of Law & Governance, Cabinet Member for Resources and a finance lead from the Local Government Association, offering independent advice. Following the competitive recruitment process and interviews, Full Council are being asked to approve the appointment of Chris Brooks as the independent Chair and Mike Langhorn and Dr. Stuart Green as independent members of the Audit Committee.

A short biography of each person is presented at Appendix 1.

- 2.6 In addition, at the Full Council meeting in December members agreed the revised terms of reference for the Audit Committee outlining the role of the independent persons and this is attached at Appendix 2. The terms of reference have been revised to clarify the role of Chair and Vice-Chair.

3. CONSULTATION

- 3.1 Consultation has been made via Full Council agreement to this process and procedure on 16 December 2021.

4. IMPLICATIONS

Financial Implications

- 4.1 The financial implications are set out below with regards to remuneration for the independent members.

	Cost per annum	Cost over four years
Independent Audit Committee Chair	£3,000	£12,000
Independent Audit Committee members x 2	£3,000	£12,000
	Total per annum = £6,000	Total over four years = £24,000

The current special responsibility allowance for the Chair of Audit Committee is £7,881 per annum. This proposal will make a saving of £1,881 per annum and £7,524 over the next four years.

Legal Implications

- 4.2 There is no statutory requirement for English councils to have an Audit Committee. However, the position of CIPFA, the professional body for local authority finance, is that an audit committee is required as part of proper arrangements for financial management.

5. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 5.1 Extraordinary Full Council report 16 December 2021

6. APPENDICES

- 6.1 Appendix 1 – Biographical detail of each proposed independent member
Appendix 2 – Revised terms of reference

This page is intentionally left blank