

AUDIT COMMITTEE REPORT

REPORT TO:	Audit Committee		
DATE:	20 February 2023		
TITLE:	Audit Committee Independent Persons		
TYPE OF REPORT:	Discussion		
PORTFOLIO(S):	All		
REPORT AUTHOR:	Faye Haywood, Internal Audit Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
This report outlines the proposal for appointing Independent Person's to the Audit Committee.
KEY ISSUES:
CIPFA position statement 2022, Audit Committees in Local Authorities and Police has been updated to stipulate the following; '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. Furthermore in June 2022 the government announced plans to make it a statutory requirement for Audit Committees to appoint independent, non-voting persons to the committee.
OPTIONS CONSIDERED:
<i>To consider the appointment of an independent person/s to the Audit Committee</i>
RECOMMENDATIONS:
The Committee to discuss the report and if deemed necessary and appropriate, recommend to Council that steps are taken to appoint Independent Person's to the Audit Committee.
REASONS FOR RECOMMENDATIONS:
To ensure the Councils governance arrangements are in accordance with best practice.

Audit Committee – Independent Person’s

1. Summary

- 1.1 This report outlines the proposal for appointing Independent Person’s to the Audit Committee.

2. Background

- 2.1 The latest guidance from CIPFA (CIPFA position statement 2022, Audit Committees in Local Authorities and Police has been updated to stipulate the following; ‘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.
- 2.2 The position statement represents CIPFA’s view on audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.
- 2.3 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 2.4 In addition to the above amendment to recognised guidance, in June 2022 the government announced plans to make it a statutory requirement for Audit Committees to appoint independent, non-voting persons to the committee. No subsequent announcements have been made so at this stage it is unclear how assurance over conformance will be obtained.

3. Current position

- 3.1 A total of two other district Councils in Norfolk have so far appointed independent persons to their Audit Committee. Breckland Council have had provision for an independent member for some time and have recently appointed a new independent person following the previous incumbent completing an extended term of just over four years.
- 3.2 Norwich City Council have also recently appointed an independent person.
- 3.3 Both Committees have reported that they have found the support from the

independent person to be invaluable.

- 3.4 Both Council's offer a modest committee attendance allowance together with reimbursement for travelling and subsistence expenses.
- 3.5 Independent persons are interviewed and appointed based on their ability to fulfil a person specification covering the Committee's requirements. This would involve ensuring that any individuals interviewed and subsequently appointed have the necessary skills and objectivity to carry out the role. An ideal appointment would be an individual that complements and enhances the skills and experience of the Committee.
- 3.6 The role requires interested individuals to have not been connected with the Council either as a previous employee or Councillor within the last 5 years or have any significant family ties with the Council that would cause a conflict in terms of remaining independent and objective.

4. Proposed action and process

- 4.1 It is recommended that the Committee discusses the merit of appointing an independent person's to the Audit Committee. This would be seen as a proactive action to ensure that the Committee is acting in accordance with the latest best practice from CIPFA and anticipating the potential for this to be a statutory requirement by the Government as part of local government audit reform.
- 4.2 If a decision is made to appoint Independent Person/s this must be approved by Council as this represents a structural change to the Committee.
- 4.3 If approval by Council is given, a person specification can then be advertised locally.
- 4.4 Once candidates have had an opportunity to express an interest, it is advised that an interview panel is set up comprising of members, with support from officers. Our proposal would be:
 - Interview Panel – Chair of Audit Committee with Portfolio Holder.
 - Advisors – Monitoring Officer, S151 Officer and Internal Audit Manager.
- 4.5 It is suggested that the Independent Person is appointed for a term of four years. Following this term, the Audit Committee can put a recommendation to Council regarding re-appointment.

5. Issues and Risks

- 5.1 The Council, may be unable to attract suitable individuals to this post due to the commitment required and timings of Audit Committee meetings and or,

competition from other Local Authorities who may be seeking similar skills and experience from a limited number of individuals locally. This will result in the Audit Committee not being able to benefit from effective arrangements that demonstrate best practice or benefit from the experience/skills and independence that a post holder of this nature could offer.

5.2 **Resource implications** – Independent individuals would be modestly remunerated and reimbursed for travel and subsistence expenses. These costs are expected to be minimal.

5.3 **Equality implications** – The Committee should consider whether candidates put forward for appointment could enhance the diversity of the Audit Committee, thus strengthening governance arrangements.

6. **Conclusion**

6.1 CIPFA has published strengthened guidance on audit committees emphasising the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. The government is considering making the guidance, committees and the independent member requirements statutory. This report has therefore been produced to facilitate a discussion with Audit Committee on whether the Council should make provision for independent members at Audit Committee within its constitution.

7. **Recommendations**

7.1 The Committee to discuss the report and if deemed necessary and appropriate, recommend to Council that steps are taken to appoint an Independent Person to the Audit Committee.

8. **Background papers**

None