

Gloucester City Council

Meeting:	Audit and Governance Committee	Date: 20 January 2020
	Council	Date: 30 January 2020
Subject:	Appointment of an Independent Member to the Audit and Governance Committee and Changes to the Terms of Reference of the Audit and Governance Committee	
Report of:	Head of Audit Risk Assurance (ARA): Chief Internal Auditor	
Wards Affected:	Not applicable	
Key Decision:	No	Budget/Policy Framework: No
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Appendices:	1. Attachment 1 (Appendix 2): Revised Terms of Reference	
	2. Appendix 1: Independent Member Job Advertisement	
	3. Appendix 2: Independent Member Recruitment Pack	
	4. Appendix 3: Independent Member Application Form	

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The purpose of this report is seek approval to the appointment of an Independent Member to the Audit and Governance Committee and to update the Committee's Terms of Reference, which reflects the revised Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on the function and operation of audit committees; "Audit Committees in Local Authorities and Police, 2018 edition".
- 1.2 The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK and replaces the Position Statement of Audit Committees in Local Government issued in 2013

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RECOMMEND TO COUNCIL:**
 - (1) That, with effect from the Civic Year 2020/21, an Independent Member is co-opted on to the Audit and Governance Committee on a non-voting basis;
 - (2) That the appointment of the Independent Member is delegated to the Audit and Governance Committee;

- (3) That the process for selecting and recommending an appropriate candidate is delegated to the Head of Policy and Resources in consultation with the Chair of Audit and Governance Committee;
- (4) That, with effect from the Civic Year 2020/21, the Chair of the Audit and Governance Committee shall not be a member of the political group or groups forming the administration; and
- (5) That the Audit and Governance Committee's Terms of Reference as set out in Attachment 1 (Appendix 2) be approved.

2.1 Council is asked to **RESOLVE**:

- (1) That, with effect from the Civic Year 2020/21, an Independent Member is co-opted on to the Audit and Governance Committee on a non-voting basis;
- (2) That the appointment of the Independent Member is delegated to the Audit and Governance Committee;
- (3) That the process for selecting and recommending an appropriate candidate is delegated to the Head of Policy and Resources in consultation with the Chair of Audit and Governance Committee;
- (4) That, with effect from the Civic Year 2020/21, the Chair of the Audit and Governance Committee shall not be a member of the political group or groups forming the administration; and
- (5) That the Audit and Governance Committee's Terms of Reference as set out in Attachment 1 (Appendix 2) be approved.

3.0 **Background and Key Issues**

3.1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management. 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. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. The Council's audit committee should adopt a model that establishes the committee as independent and effective. The committee should:

- act as the principal, advisory function supporting those charged with governance;
- be independent of the decision making committees of the Council **and include an independent member where not already required to do so by legislation;**

- have clear rights of access to other committees/functions, for example, service committees, corporate risk management and other strategic groups; and
- be directly accountable to the authority's governing body.

3.2 The guidance to support those acting as audit committee members in local authorities has recently changed and currently recognises CIPFA's publication "Audit Committees: Practical Guidance for Local Authorities and Police (2018)" as representing "proper audit committee practices".

3.3 This guidance defines the way in which audit committees should be established and undertake its functions, including the functional reporting requirements to the governance group charged with providing independent assurance on the adequacy of the control environment, comprising risk management, control and governance.

3.4 Best practice dictates that governance, risk management and strong financial controls be embedded in the daily and regular business of an organisation. The existence of an audit committee does not remove responsibility from senior managers, members and leaders, but provides an opportunity and resource to focus on these issues. CIPFA considers that Audit Committees must also actively explore the appointment of at least one independent member to the Committee. This is in line with good practice to demonstrate good governance principles and independence from the executive and other political allegiances.

3.5 In a most recent report, as per CIPFA, ten out of eleven local authority committees had appointed at least one independent member to the committee. Section 102(3) of the Local Government Act 1972 allows a Council to include persons who are not members of the authority on a committee. Section 104 of the Act sets out disqualification from membership, which is the same as those for being elected or being a member of a local authority. These requirements have been included in the person specification.

3.6 Good practice shows that co-option of independent members is beneficial to the audit committee. It is a requirement for police audit committees, English combined authorities and for local authorities in Wales, and it is usual practice for non-executives to be committee members in health and central government audit committees. The injection of an external view can often bring a new approach to committee discussions. 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; and
- to maintain continuity of committee membership where membership is affected by the electoral cycle.

3.7 While operating as a member of the audit committee, the independent member is required to follow the Council's Standing Orders and Code of Conduct for elected members. They should also register any interests should be maintained. It is usual for co-opted members not to have voting rights and this is the position being proposed here.

3.8 The primary considerations when considering audit committee membership should be maximising the committee's knowledge base and skills, being able to demonstrate objectivity and independence, and having a membership that will work together.

3.9 As part of the 2018/2019 annual review of the effectiveness of the Audit and Governance Committee and in line with the principles set out by CIPFA, it is proposed that the Committee appoint an independent member who is not a councillor, or an officer of the Council, to the Committee to contribute to this important role of promoting good governance and accountability.

4.0 Social Value Considerations

4.1 There are no 'Social Value' considerations arising out of the recommendations in this report.

5.0 Environmental Implications

5.1 There are no 'Environmental' implications arising out of the recommendations in this report.

6.0 Alternative Options Considered

6.1 The Committee could decide to recommend the appointment of an Independent Person to Council or not.

7.0 Reasons for Recommendations

7.1 To ensure the Audit and Governance Committee remains effective, independent and conforms with the new guidance.

8.0 Future Work and Conclusions

8.1 Annual review of the effectiveness of the Audit and Governance Committee, reporting the review outcomes to Council.

9.0 Financial Implications

9.1 The Independent Member will receive an allowance of £500 per year which can be accommodated within existing budgets.

(Financial Services have been consulted in the preparation this report).

10.0 Legal Implications

10.1 The Independent Member will not be able to vote on matters for decision by the Audit & Governance Committee as provided by section 13 of the Local Government and Housing Act 1989. It is to be noted, however, that because the Independent Member is a co-opted member of the Committee, the Councillor Code of Conduct applies will apply and so they should attend any relevant training that elected members attend.

(One Legal have been consulted in the preparation this report).

11.0 Risk & Opportunity Management Implications

11.1 Failure to deliver on effective governance may have a detrimental effect on the achievement of the potential opportunities and adverse effects that challenge the assets, reputation and objectives of the council, strategic decision making and the wellbeing of our stakeholders.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

13.0 Community Safety Implications

13.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

14.0 Staffing & Trade Union Implications

14.1 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

Background Documents:

- Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on the function and operation of audit committees; "Audit Committees in Local Authorities and Police, 2018 edition";
- Public Sector Internal Audit Standards (PSIAS) 2017; and
- CIPFA Local Government Application note on the PSIAS.