

Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE

Date: 30th September 2022

Title of report: Appointment of an Independent Member (ex office- co-optee) to the Committee

Purpose of report.

To formally consider appointment of an independent member for the committee, a role description and the process to appointment

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	not applicable
The Decision - Is it eligible for call in by Scrutiny?	not applicable
Date signed off by Strategic Director & name	Not applicable
Is it also signed off by the Service Director - Finance	Not applicable
Is it also signed off by the Service Director for Legal Governance and Commissioning Support?	07/09/2022
Cabinet member portfolio	Not applicable

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Have you considered GDPR? Yes

1. Summary

1.1 In summer 2022, the government indicated an intention to create a statutory obligation for local authorities to have an Audit Committee, including an independent member, although initially this would be on a voluntary basis. In discussion on this, the Committee considered that there would be merit to adopting the proposal, and this report sets out information to potentially make that happen.

2. Information required to take a decision

2.1 At its meeting on the 17th June 2022, this Committee considered a report- "Government response to local audit framework: technical consultation". This indicated an intention to make it a statutory requirement that all local authorities have an audit committee, which should include one independent member. The government

did not say when this would become a statutory requirement but encouraged local authorities to adopt the advice- which aligns with updated advice from CIPFA about Audit Committees. At its subsequent meeting, the Committee discussed further the merits of inviting an independent member to join the Committee. Whilst there were some disadvantages the Committee decided that on balance the arrangement would be likely to bring advantage, and to ask officers to prepare material such as a role profile.

- 2.2 The Committee discussed the attributes that it would seek from an independent member, and whilst it did not want to be specific about absolute matters such as holding professional qualifications, it determined that it would seek someone who would balance the skills of the Committee, with a particular leaning towards knowledge of finance in a complex organisation. A suggested role profile is included in appendix 2.
- 2.3 The independent member though would be a full member of the Committee (subject to the matters below) and expected to participate in the full range of topic areas that are covered by the Committee's terms of reference (appendix 1 for information).
- 2.4 In most governance models, there are suggestions about how long it is appropriate for individuals to remain members of governance boards. (For example independent directors on company boards, or charity trustees). It is suggested that appointment would be on an annual basis, with the expectation that subject to mutual agreement the role holder would remain for up to 3 years. It is suggested that beyond that stage, a new candidate be recruited.
- 2.5 Whilst the Council welcomes co-optees on Scrutiny Committees on a voluntary unpaid basis, the feeling was that the Council should offer a payment for this role holder recognising the expectation of specific skills, although it noted that this was notional recognition, rather than a typical rate for such activity carried out on a commercial basis. An initial payment of £1,000 per annum would make this recognition. The rate could be adjusted by a standard local authority pay award (may be based around SCP 45- a typical professional grade) or could be considered from time to time by the Members Allowance review panel.
- 2.6 The proposal is that the independent member be awarded the same rights as an ex officio member. That is to fully participate and speak, but not be permitted to vote.
- 2.7 As noted the government have indicated an intention, at some stage, to require local authorities to have an Audit Committee and that that Committee should be required to have one independent member. For now, the suggestion is that authorities adopt CIPFA advice on audit committees (which suggest 2 independent members but is silent on the matters of voting). This Committee has roles that include governance as well as audit matters. Audit Committees in many organisations have remit beyond pure financial- areas such as oversight of risk management are often within their role. There are no suggestions from government about whether, if they do legislate, they will impose any obligations on roles for an audit committee, how it should conduct business, or what type of person may be considered to be appropriate. It is likely that there would be a period of consultation on any proposals of this nature, but this may over time require changes that relate to the role of this committee or the independent member.

2.8 If the Committee is minded to progress this proposal, (There is no need for the Committee to do anything at his stage.), then it will need to seek authority from full council to amend its terms of reference. The Committee already has provision in its ex officio membership to appoint a treasury management adviser. It is suggested that the wording in the terms of reference be amended to add in an independent member (see box in appendix 1 terms of Reference).

2.8 It is proposed that if the approval is given at Full Council.

(a) the role is advertised on the Council website, and applications are invited

(b) after the closing date there is a shortlisting process designed to identify the applicants who appear to meet the criteria, and those who do not. This would be by officers with oversight of the final proposals by the Chair of the Committee

(c) a selection process involving the chair and another nominee of the committee, and two officers (Directors of Legal Governance and Monitoring, and Finance, or their close substitutes)

(d) the chair would be delegated authority to make the appointment

(e) the appointee would be on the standard initial 6-month probation with tenure as shown in 2.4 above

[The arrangements above align broadly with those used in the selection of co-optees for Scrutiny Committee]

3. **Implications for the Council**

3.1 **Working with People** – None directly- but see 3.7

3.2 **Working with Partners** – None directly- but see 3.7

3.3 **Place Based Working** – None directly- but see 3.7

3.4 **Improving outcomes for children**– None directly- but see 3.7

3.5 **Climate change and air quality**- None directly- but see 3.7

3.6 **Impact on the finances of local residents**- None directly

3.7 **Other (e.g., Legal/Financial or Human Resources)**- A strong and effective Audit Committee should ensure effective corporate governance of the council. Many of these aspects will be about financial achievements and control, but there are many other aspects (as 3.1 to 3.5 above) where an effective contribution by an independent member should enhance the assurance and oversight, and thus the achievement of successful performance against all aspects of service provision.

4. **Consultees and their opinions**

4.1 None at this stage.

5. **Next steps and timelines**

5.1 If approved, seek full council authority and then progress an appointment.

6. **Officer recommendations and reasons**

- 6.1 Members are asked to make any observations of detail and consider if they wish to approve the recommendations as below
- 6.2 That the Committee wishes to appoint an independent member, on an ex officio basis (with full membership, but no voting rights) to enhance and compliment the skill base of the Committee
- 6.3 The Committee requests full council to amend the terms of reference, by the addition into the section re Membership of the Committee of the words at inset 4
 - Persons having specialist knowledge of
 - (a) Financial management and governance of a complex organisation- full participation
 - (b) Treasury management -to be appointed and attend as required.
- 6.4 Subject to the approval by full council, the committee looks to appoint an independent member (as 6.3 (a) above) using the role profile as shown at Appendix 2 to this report, and following the methodology shown at 2.8 of this report.
7. **Cabinet portfolio holder's recommendations**

Not applicable
8. **Contact officer**
Martin Dearnley, Head of Risk & Internal Audit (01484 221000 x73672)
9. **Background Papers and History of Decisions**
Report to tis committee 17th June 2022,
MoHCLG Consultation outcomes,
CIPFA Position Statement
10. **Service Directors responsible**
Finance; Legal, Governance & Commissioning
- 11 Appendix 1. Terms of Reference for Corporate Governance and Audit Committee
Appendix 2. Proposed role profile, role description and advert (draft)
Appendix 3. Code of Conduct (draft)

Appendix 1.

Terms of Reference

Corporate Governance and Audit Committee

Membership

Seven members, plus the following four ex-officio members with rights to speak but not vote:

- Member of the Cabinet with responsibility for Corporate Governance
- The Chair of the Overview & Scrutiny Management Committee,
- The Chair of the Standards Committee
- Person having specialist knowledge of treasury management (to be appointed and attend as required).

This section would require amendment to

Persons having specialist knowledge of

- (a) Financial management in a complex organisation- full participation
- (b) Treasury management -to be appointed and attend as required.

No leaders of any group shall be a member of the Committee

Proportionality need not apply to this Committee

Terms of Reference

Delegated authority in respect of all powers and duties set out below and all other Council functions not required to be determined by the full Council and not delegated to any other committee:

1. To be responsible for:

1.1. Monitoring the operation of the council's Constitution and keeping its terms under review, including all procedure rules

1.2. Making recommendations to the council for any change or additions to the procedure rules or Articles of the Constitution or executive arrangements

2. To determine all matters relating to the adoption and operation of the Members' Allowances Scheme including recommendation to the council of the adoption of or amendment to any such Scheme

3. To keep under review the portfolios of the Cabinet and the terms of reference and delegations of Council functions to committees and formally appointed bodies and officers

4. To consider the council's arrangement relating to accounts including

(a) the approval of the statement of accounts and any material amendments of the accounts recommended by the auditors

(b) to keep under review the council's financial and management accounts and financial information as it sees fit

5. To consider the council's arrangements relating to the external audit requirements including:

(a) the receipt of the external audit reports so as to;

(i) inform the operation of the council's current or future audit arrangements

(ii) provide a basis for gaining the necessary assurance regarding governance prior to the approval of the council's accounts

6. To consider the council's arrangements relating to internal audit requirements including:

(a) considering the Annual Internal Audit report, reviewing and making

recommendations on issues contained therein

(b) monitoring the performance of internal audit

(c) agreeing and reviewing the nature and scope of the Annual Audit Plan

7. To review the adequacy of the council's Corporate Governance arrangements.

This will include (but not be limited to) the following:

7.1. Internal control and risk management;

7.2. Oversight of whistleblowing and the Council's whistleblowing policy;

7.3. Oversight of the complaints process and the role of the Local Government Ombudsman;

7.4. Oversight of Information Governance and the role of the ICO;

7.5. To review and approve the annual statement of Corporate Governance.

8. To agree and update regularly the council's Code of Corporate Governance, monitoring its operation and compliance with it, and using it as a benchmark against performance for the annual Statement of Corporate Governance.

9. To designate the Head of Paid Service, the Monitoring Officer and all statutory "proper officers".

10. To approve payments or provide other benefits in cases of maladministration as required and make recommendations arising from any review of a report of the Local Government and Social Care Ombudsman

11. Following a decision of Council to undertake a community governance review to agree the terms of reference for and conduct such a review, making recommendations to Council who will determine the outcome of such reviews.

12. Functions relating to elections and parishes set out in Part D of Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (or any replacement or amendment of it)

13. Charities and charitable trusts (so far as not the responsibility of Cabinet).

14. Responsibility for reviewing and challenging all treasury management activities.

15. To determine appointments of individuals to outside bodies (except school governing bodies) and revocation of such appointments.

16. To determine nominations for charitable trustees in cases where there has been failure reach agreement.

17. To receive updates and monitor compliance with the Council's Regulation of Investigatory Powers Act (RIPA) policy.