

**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**

**AGENDA  
ITEM NO**

**19 NOVEMBER 2019**

**8**

<b>Report Title</b>	<b>APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT AND STANDARDS COMMITTEE</b>
<b>Purpose of Report</b>	To provide the Committee with documentation relating to the appointment of the proposed Independent Member and, if approved, for onward recommendation to Council.
<b>Decisions(s)</b>	<p><b>It is Recommended that the Audit and Standards Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Approve the principle of co-opting an Independent Person onto the Audit and Standards Committee on a non-voting basis.</b></li> <li><b>2. Approve the Independent Person specification, role advert and recruitment pack.</b></li> <li><b>3. Recommend the following to Council:</b> <ol style="list-style-type: none"> <li><b>3.1 That an Independent Member is co-opted on to the Audit and Standards Committee on a non-voting basis.</b></li> <li><b>3.2 The Person Specification, Role Advert and Recruitment pack are approved.</b></li> <li><b>3.3 That the appointment of the Independent Member is delegated to the Audit of Standards Committee.</b></li> <li><b>3.4 That the process for selecting and recommending an appropriate candidate is delegated to the Strategic Director of Resources in consultation with the Chair of Audit and Standards Committee.</b></li> </ol> </li> </ol>
<b>Consultation and Feedback</b>	<ul style="list-style-type: none"> <li>➤ Members of Audit and Standards Committee</li> <li>➤ Monitoring Officer</li> <li>➤ S151 Officer</li> <li>➤ Chief Internal Auditor</li> </ul>
<b>Financial Implications and Risk Assessment</b>	<p>The Independent Member will receive an allowance of £550 per year which can be accommodated within existing budgets.</p> <p>Andrew Cummings, Strategic Director of Resources Tel: 01453 754115      Email: <a href="mailto:andrew.cummings@stroud.gov.uk">andrew.cummings@stroud.gov.uk</a></p>
<b>Legal Implications</b>	<p>Any legal implications are set out in the report</p> <p>Patrick Arran, Interim Head of Legal Services &amp; Monitoring Officer Tel: 01453 754369      Email: <a href="mailto:patrick.arran@stroud.gov.uk">patrick.arran@stroud.gov.uk</a></p>

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<b>Options</b>	The Committee could decide to recommend the appointment of an Independent Person to Council or not as the case may be.
<b>Performance Management Follow Up</b>	An annual review of the effectiveness of the Audit and Standards Committee is undertaken.
<b>Appendices / Background Papers</b>	<p><b>Appendix 1:</b> Independent Member Job Advertisement.</p> <p><b>Appendix 2:</b> Independent Member Recruitment Pack.</p> <p><b>Appendix 3:</b> Independent Member Application Form.</p> <p><b>Background papers:</b></p> <ul style="list-style-type: none"> <li>➤ 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”.</li> <li>➤ Public Sector Internal Audit Standards (PSIAS) 2017; and</li> <li>➤ CIPFA Local Government Application note on the PSIAS.</li> </ul>

## 1.0 Background

- 1.1 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.
- 1.2 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”.
- 1.3 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.

- 1.4 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.
- 1.5 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.
- 1.6 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.
- 1.7 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.
- 1.8 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.
- 1.9 As part of the 2018/2019 annual review of the effectiveness of the Audit and Standards 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.