

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Appointment of Independent co-opted members to Audit &amp; Governance (A&amp;G) Committee</b>
Meeting date	27 July 2023
Status	Public Report
Executive summary	<p>Although not a legislative requirement, best practice and a '2022 position statement' by the Chartered Institute of Public Finance &amp; Accountancy (CIPFA) endorsed by the Department for Levelling Up, Housing and Communities recommend that audit committees in local government should include at least two co-opted independent members.</p> <p>Informal discussions, including at a recent BCP Council Audit &amp; Governance Committee induction event, has shown there is widespread agreement that the principle of co-opted independent members is supported.</p> <p>There are a number of local decisions required to enable suitable recruitment, through open advertisement, to the BCP Council Audit &amp; Governance Committee.</p> <p>The recommendations in this report will help shape that recruitment process, with an aim to have two co-opted members in place later in this calendar year.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <ol style="list-style-type: none"> <li><b>1. Two independent members are co-opted to the BCP Council A&amp;G Committee.</b></li> <li><b>2. The term of appointment will be for an initial 2 years with an option for a further 2 years if mutually agreed.</b></li> <li><b>3. An initial allowance of £1,084 per annum for each independent member is agreed. This initial figure is subject to review by the Council's independent remuneration panel, any changes may be backdated should this be recommended and agreed.</b></li> <li><b>4. A selection and recruitment panel be created, comprising of the Chairman of the A&amp;G Committee and two other A&amp;G Committee elected members. The panel will be supported by the Head of Audit &amp; Management Assurance.</b></li> <li><b>5. Following the recruitment process, a report from the panel is presented to the next available A&amp;G Committee, which outlines the process and the panel's recommendations. This report will be endorsed by the A&amp;G Committee and a formal recommendation agreed for full Council to consider.</b></li> </ol>

	<p><b>6. A&amp;G Committee agrees to delegate to the Head of Audit &amp; Management Assurance, in consultation with the Chair of A&amp;G Committee,</b></p> <ul style="list-style-type: none"> <li>• <b>any changes to the role profile and person specification required;</b></li> <li>• <b>operational details associated with recruitment, shortlisting and interviews;</b></li> </ul> <p><b>following the approved recommendations 1 to 5 above and in accordance with BCP Council policies.</b></p>
Reason for recommendations	<p>Best practice suggests the appointment of two independent member(s) to local Authority audit committees, to enhance the effectiveness and knowledge base of such Committees.</p> <p>Legislation is likely to follow, in England, which will require local authorities to include two independent members when forming their audit committees.</p>
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Ian O'Donnell, Corporate Director for Resources
Report Authors	<p>Nigel Stannard Head of Audit &amp; Management Assurance ☎01202 128784 ✉ <a href="mailto:nigel.stannard@bcpcouncil.gov.uk">nigel.stannard@bcpcouncil.gov.uk</a></p>
Wards	Council-wide
Classification	For Decision

## Background

1. Many local authorities include independent members on their audit committees (or similar) as this is seen as strengthening the internal control and governance of the authority. Independent members with appropriate skills and experience can supplement those of elected members and improve the effectiveness of such committees.
2. Released in 2022, a 'position statement' by the Chartered Institute of Public Finance and Accountancy (CIPFA), endorsed by the Department for Levelling Up, Housing & Communities, the Home Office and other public sector bodies, recommends that audit committees in local government (and police bodies) should include at least two co-opted independent members to provide appropriate technical expertise.
3. In time many commentators suggest this requirement will be established in legislation in England, as it already is in Wales.
4. Informal discussions, including at a recent BCP Council Audit & Governance Committee induction event, has shown there is widespread agreement that the principle of co-opted independent members is supported. The Leader of the Council has also been consulted and is supportive as is the portfolio holder for Finance.

## Independent member(s) appointment

5. Independent members are non-councillors who are suitably qualified with experience in the area of audit/governance and bring specialist knowledge and insight to the workings and deliberations of the committee to inter alia provide:
  - An effective independent assurance of the adequacy of the risk management framework.
  - Independent review of the Council's financial and non-financial performance.
  - Independent challenge to, and assurance over, the Council's internal control environment.
6. Independent members would **not** have a vote in the same way as an elected councillor of the committee and will be part of the committee in an advisory and consultative manner.
7. Independent members would have 'co-opted' legislative status under the power to co-opt in the Local Government Act 1972 and further described under section 13 of the Local Government & Housing Act 1989. Co-opted members can be elected Chair and have similar rights (to elected members) to access information and they would have obligations under the Code of Conduct for Members.
8. A draft role description, skills, competencies and person specification is attached as Appendix A for information. This has been constructed using template suggestions from best practice guidance and other local authorities. It contains specific best practice definitions and eligibility criteria for individuals to be reasonably considered independent, in the context of this role.
9. A BCP Council recruitment and selection Panel will be created to oversee the process. This Panel will present a report to the next available (after the process has provisionally concluded) A&G Committee and make a recommendation on the appointments. A&G Committee will need to make a further recommendation for full Council to formally agree the co-opted independent members to the Audit and Governance Committee, as required by the Constitution.
10. A communication strategy to advertise the roles will include BCP Council website and social media platforms. BCP Council also has access to BCP business community social media platforms and (business) opt in newsletter facilities where the roles will also be highlighted.

## Decisions and Options

11. **Decision 1** – To agree the number of co-opted independent members.

Recommendation - Best practice and CIPFA's 'position statement' **suggests two co-opted members**, this could become a legislative requirement in England, as it already is in Wales, in due course.

Reason for recommendation – BCP Council could choose any number of independent members, and indeed choose not to have any at all. It makes intuitive sense to align with best practice and CIPFA's 'position statement', this will put BCP Council ahead of, and in compliance with, likely future legislative requirements in England.

12. **Decision 2** – To agree the term of appointment.

Recommendation – Initial 2 years, with the option to extend for a further 2 years.

Reason for recommendation - Best practice and CIPFA's 'position statement' does not make any definitive suggestions as to the length of terms of any appointments.

The matter is locally nuanced and should fit with BCP Council's relevant customs and practice. It would be inefficient and time consuming to seek annual appointments. Appointments for too long a period are not recommended in best practice given this may erode the concept of independence. A 2+2 year appointment strikes a pragmatic balance.

13. **Decision 3** – To agree an initial attendance allowance/fee payable to each independent member.

Recommendation – **An initial allowance of £1,084 per municipal year is agreed**, payable to each independent member.

Reason for recommendation - This figure has been set by an independent remuneration panel and is comparable with other independent members on other BCP Council committees. This figure will be reviewed by the independent remuneration panel, taking into account the specific nature of this role and may change and may be backdated should the panel recommend this.

Informal benchmarking shows that English Councils pay a wide range of allowances/fees to independent members of Audit committees, ranging from £0 (nil) to as much as £10,000 per municipal year (/m.y). The vast majority are in the lower range with an average around £2,000/m.y. Larger unitary councils appear to average slightly higher at about £2,500/m.y. The allowance should be fair and reasonable but not so large that it may compromise the independence of the individual receiving it.

No specific budget exists within BCP Council for this allowance. However the Head of Audit & Management Assurance has limited but sufficient flexibility to manage and pay for this relatively small additional cost from within existing budgets.

14. **Decision 4** - To agree the construct of the Panel, to shortlist and interview. The technical competence of any candidate may be evaluated prior to formal interview.

Recommendation - **A panel of three** comprising:

- The Chair of the Audit and Governance Committee
- Two further Audit & Governance Committee elected members, who are either volunteers or to be selected by the Committee.

The Panel would be supported by the Head of Audit & Management Assurance

Reason for recommendation – It is fair and reasonable for Audit & Governance Committee to select the suitable individuals to augment the elected members of the committee with independent members; for full Council to agree. The Head of Audit & Management Assurance will provide the Panel with support throughout the process.

### **Summary of financial implications**

15. See decision 3. The full year cost if the recommendation at decision 3 is agreed would initially be circa £2,200. Should the independent remuneration panel adjust the fee in line with benchmarking results the fee may potentially rise to circa £5,000 per municipal year.
16. No specific budget exists within BCP Council for this allowance. However the Head of Audit & Management Assurance has limited but sufficient flexibility to absorb this relatively small additional cost within existing budgets on an ongoing basis, so no additional budget allocation is required.

### **Summary of legal implications**

17. There is currently no statutory requirement for an independent person to be appointed to the Audit Committee in England.
18. A council's audit committee is established further to the Local Government Acts 1972 and 2000 and its purpose is to give assurance to elected Members and the public about the governance, financial reporting and performance of the Council.
19. The decision in principle to appoint an independent member(s) to the Audit and Governance Committee is for Council to approve, the actual appointment will also need to be endorsed by Council.
20. Independent members would have 'co-opted' legislative status under the power to co-opt in the Local Government Act 1972 and further described under section 13 of the Local Government & Housing Act 1989.

### **Summary of human resources implications**

21. Independent member(s) will need to agree to comply with the Council's Code of Conduct for Members, which sets out standards of behaviour expected from all members. Additionally, they will be required to complete a Declaration of Interests form on an annual basis.

### **Summary of sustainability impact**

22. There are no direct sustainability impact implications from this report.

### **Summary of public health implications**

23. There are no direct public health implications from this report.

### **Summary of equality implications**

24. Applications for the position(s) of Independent member(s) to the Audit Committee will be open to all residents over the age of 18 in BCP Council and will be carried out in accordance with the Council's duties under the Equality Act 2010.

### **Summary of risk assessment**

25. Subject to adequate vetting procedures and adherence to the Person Specification, this initiative should augment the Audit and Governance Committee's independence, provide additional expertise, and provide an opportunity for the community to play an enhanced role in the governance of the Council.

### **Background papers**

CIPFA Publication 2022 - Audit committees: practical guidance for local authorities and police

### **Appendices**

Appendix A – DRAFT Audit & Governance Committee Independent Member Role Profile and person specification

**DRAFT Audit & Governance Committee Independent Member Role Profile and Person specification**

**Do you have the time and skills to make a positive and independent contribution to Bournemouth Christchurch and Poole Council's Audit and Governance Committee?**



**Background:**

Bournemouth Christchurch and Poole (BCP) Council is currently looking for two independent members to join its Audit & Governance Committee from approximately October 2023. The Committee is a key component of the Council's corporate governance framework. The Committee provides assurance and high-level focus on risk management, governance, financial controls, annual accounts and the work of internal and external audit.

As an independent member you will serve a term of 2 years, the option to renew for a further 2 year term may be mutually agreed. Thereafter the Council will seek to appoint a new independent member. All appointments and terms are subject to full Council agreement / decision.

You will receive an annual allowance of £1,084 (current rate, 23/24) payable monthly in arrears. This figure is set by an independent remuneration panel and may be subject to change. Any changes can be backdated should the panel recommend this.

Notice of intent to resign from the role can be given at any time, no 'period of notice is required'.

As an independent member you will be required to sign an undertaking to comply with the Council's Code of Conduct for Members, which sets out standards of behaviour expected from all members. Additionally, you will be required to complete a Declaration of Interests form on an annual basis.

The estimated time commitment required to undertake the role will vary, on average it would involve attendance at up to 8 early evening meetings a year. Typically, these meetings will start at 6pm and last approximately 2 to 4 hours. There will be a need for associated reading of the prepared reports and papers. Meetings will tend to be in person at the BCP Council Bournemouth Civic Centre. There may be very occasional meetings held electronically\*.

\*As independent members have no voting rights it will be possible to attend meetings electronically, some attendance in person is preferred.

Please note BCP Council A&G Committee meetings are live streamed.

**Brief Role Description:**

- To be an independent non-voting member of the Audit & Governance Committee, providing external challenge and support.
- To assist the Committee in delivering on the Committees' Terms of Reference.
- To receive and consider reports to the Committee from internal and external auditors and other Council Officers.
- To have an affinity with the values of public service.
- To be politically aware without political affiliations or memberships.
- To apply strategic thinking to reports from across the Council.
- To provide challenge and ask questions that draw out relevant facts and explanations.
- To get to the facts while maintaining positive relationships.
- To seek understanding and provide solutions.
- To evaluate information based on evidence presented without political bias.
- To weigh up differing views and be able to come to an evidence-based conclusion.

**Person Specification****Experience:**

- In a business management environment working at a senior level in a large or complex organisation or hold an appropriate qualification
- To have knowledge of corporate governance arrangements in either the public, private or charity sectors.
- Alternatively, you may have sat on an Audit Committee in a large organisation or had other experience which would give similar benefits/understanding.

**Skills:**

- Good analytical, communication and interpersonal skills.
- A high level of integrity inspiring public confidence.
- Ability to constructively challenge and hold to account Council officers.
- Good IT skills including the ability to access reports and information electronically.
- An understanding of confidentiality requirements.
- The ability to work as part of a team and contribute to the work of the Committee.
- Able to understand the importance of accountability and probity in public life.
- Ability to see and focus on the 'big picture' and to avoid being drawn into 'detail'.
- Able to reconcile the ideal with reality and practicality and to balance risk, reward and response.
- Able to analyse and assess evidence and come to a rational conclusion.
- Able to demonstrate objectivity, integrity and discretion in decision making.

**Eligibility:**

To be eligible to become a BCP Council Independent member of the A&G Committee you should:

- Not be active in local or national politics.
- Not be a member of a political party, pressure group or a member of an organisation or association which is not open to the public without formal membership and/or commitment of allegiance and/or has secrecy about rules or membership or conduct.
- Not have a close relationship with any Councillor or Officer of the Council.

- Not have current or previous business dealings with the Council, such as providing works, goods or services, which the Council considers to be significant.

The following persons cannot be an independent member:

- You must not be a BCP Council councillor or officer or have been so in the preceding five years prior to appointment.
- You must have no unspent criminal convictions.
- You must not be declared undischarged bankrupt.

### **Application**

If you are interested in being considered, please send an email (no more than 1000 words) detailing your skills, knowledge and experience that are applicable to the role to [audit@bcpcouncil.gov.uk](mailto:audit@bcpcouncil.gov.uk)

Please also include your own contact details and those of one referee.

BCP Council promotes equal opportunities, applications are welcome from all sections of the community irrespective of race, gender, gender reassignment, age, disability, sexuality, religion or belief.

The Terms of Reference for the BCP Council A&G Committee are attached to this advert. Other information is available on request from the Director of Law & Governance (Monitoring Officer) or Head of Audit & Management Assurance on 01202 128784.

A&G Committee information and previous agendas can be viewed here:

[BCP Council – Democracy](#)

For an informal chat about the role please contact the Head of Audit & Management Assurance on 01202 128784

The closing date for receipt of applications is 31 August 2023. A short-listing exercise and interviews will follow shortly afterwards.

Any interview panel will comprise:

- The Chairman of the A&G Committee (or their delegate)
- Plus two other members of the A&G Committee

The Head of Audit & Management assurance will support the interview panel as required during shortlisting and interviews.