

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Appointment of Independent co-opted members to Audit & Governance (A&G) Committee
Meeting date	26 October 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 & 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>Previous BCP Council Audit & Governance (A&G) Committee and Council meetings agreed the in-principle decision to recruit two co-opted independent members to the BCP Council A&G Committee.</p> <p>A number of local decisions were agreed which enabled a suitable recruitment process, through open advertisement, to the BCP Council A&G Committee.</p> <p>The recommendations in this report endorse then approve the decisions made by the selection and recruitment panel, which was Councillors Andrews, Herrett and Chapmanlaw respectively.</p> <p>Full Council need to approve the appointment of co-opted members to a BCP Council committee.</p>
Recommendations	<p>It is RECOMMENDED that :</p> <ol style="list-style-type: none">1. A&G Committee endorse the decisions made by the selection and recruiting panel to appoint two co-opted independent members to the BCP Council A&G Committee.2. That full Council approve the appointment of two co-opted independent members to the A&G Committee for a period which will end on 31 March 2026.
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

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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. At the meeting of the Audit & Governance Committee on 27 July 2023 the following was agreed:
RESOLVED that
 - a) Two independent members be co-opted to the BCP Council Audit and Governance Committee;
 - b) The term of appointment be for an initial period ending at the close of the municipal year 2025/26 on 31 March 2026 with an option thereafter for a further two years if mutually agreed;
 - c) An initial allowance of £1,084 per annum for each independent member is agreed with this initial figure subject to review by the Council's Independent Remuneration Panel, with any changes being backdated should this be recommended and agreed by the Remuneration Panel;
 - d) A selection and recruitment panel be created, comprising of the Chair of the Audit and Governance Committee and two other Audit and Governance Committee elected Members (supported by the Head of Audit and Management Assurance);
 - e) Following the recruitment process, a report from the recruitment panel be presented to the next available Audit and Governance Committee, outlining the process and the panel's recommendations. This report to be endorsed by the Audit and Governance Committee and a formal recommendation agreed for consideration by full Council;
 - f) In accordance with BCP Council policies, Audit and Governance Committee delegate to the Head of Audit and Management Assurance, in consultation with the Chair of Audit and Governance Committee, any changes to the role profile and person specification required and the operational details associated with recruitment, shortlisting and interviews.

Voting: Unanimous

Independent member(s) a reminder

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. The agreed role description, skills, competencies and person specification is attached as Appendix A for information. This was 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.

The recruitment and selection process

9. A communication strategy was agreed to advertise the roles including BCP Council website and social media platforms. BCP area business community social media platforms and (business) opt in newsletter facilities were also used to advertise the roles.
10. The advertisements went live on 16 August and closed on 10 September.
11. Interviews were held on 19 September and 26 September. The interview panel comprised Councillor Marcus Andrews, Chair of A&G Committee, Councillor Richard Herrett and Councillor Adrian Chapmanlaw.
12. The interview panel asked the same core 8 questions to each candidate and scored answers independently, from each other, using a 5 point scoring system. The panel then discussed scoring, no moderation of scoring was required as independent scores were similar and the overall ranking of candidates was unanimously the same.
13. Two excellent candidates were therefore successfully identified as suitable co-opted independent members subject to this A&G Committee approval and endorsement by Council.
14. The two candidates have both agreed to the role but are clear the process requires approval by A&G Committee and endorsement by Council before formal on-boarding and next steps can take place.
15. The panel also unanimously agreed a third individual possessed all the skills and attributes required of a suitable co-opted independent member. The Chair of the panel asked the Head of Audit & Management Assurance to make contact with this individual to ask, should the opportunity arise, whether the Council may contact them in future. The individual was contacted and they have confirmed they would be willing to support the Council should an opportunity arise.

On-boarding and next steps

16. Subject to this committee and then Council endorsement the more detailed on-boarding and next steps can begin, including:
 - Creation of bcpcouncil.gov.uk email accounts, to safely and securely share data.
 - Access to relevant systems including ModGov to read committee reports.
 - Proportionate training and induction.
 - Set up of payment of allowance, via 1/12th a month transfer.
 - Agree and sign up to appropriate members code of conduct.
 - Make appropriate declarations of interest.
17. The A&G Chair has invited the two proposed candidates to the A&G Committee on 26 October 2023 to observe the meeting, as any member of the public can and prior to A&G Committee endorsement and full Council approval.

Summary of financial implications

18. The full year cost 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.
19. 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

20. There is currently no statutory requirement for an independent person to be appointed to the Audit Committee in England.
21. 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.
22. 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.
23. 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

24. 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

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

Summary of public health implications

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

Summary of equality implications

27. 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

28. 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

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Appendices

None