

# Joint Audit and Governance Committee



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# Appointment of an independent member to the Joint Audit and Governance Committee

## Recommendation

That the committee:

1. Approve the principle of co-opting an Independent Person onto the Joint Audit and Governance Committee on a non-voting basis.
2. Approve the person specification attached at appendix 1.
3. Recommend that each Council:
  - a) agrees to co-opt one independent person on to the Joint Audit and Governance Committee on a non-voting basis;
  - b) approves the person specification attached at appendix 1;
  - c) authorises the head of legal and democratic and monitoring officer and the section 151 officer, in consultation with the Joint Audit and Governance Committee co-chairs, to undertake the recruitment process and appoint an independent person to the Joint Audit and Governance Committee for a period of four years until May 2027;
  - d) authorises the head of legal and democratic to make changes to the councils' constitution to reflect the appointment;
  - e) asks the Independent Remuneration Panel to consider an appropriate level of remuneration for the role of independent person to the Joint Audit and Governance Committee and the independent persons dealing with code of conduct matters if the committee consider that the roles should be remunerated.

## Purpose of Report

1. To invite the committee to agree the principle of the appointment of an independent person to the Joint Audit and Governance Committee, agree a person specification and recommend each Council to appoint an independent person to the Joint Audit and Governance Committee.

## Corporate Objectives

2. High standards of conduct underpin all of the councils' work and the achievement of both councils' corporate objectives and assist with ensuring effective governance.

## Background

3. 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.

## **Independent Person appointment**

4. Many local authorities include independent persons on their audit committees (or similar) as this is seen as strengthening the internal control and governance of the authority. Independent persons with appropriate skills and experience can supplement those of elected members and improve the effectiveness of such committees.
5. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) encourages local authorities to include independent persons on their audit committees which is seen to bring positive benefits and be a mark of good practice to demonstrate good governance principles and independence from the executive and other political allegiances. 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.
6. Independent persons 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 amongst other things provide:
  - An effective independent assurance of the adequacy of the risk management framework.
  - Bring additional knowledge and expertise to the committee.
  - Independent review of the Council's financial and non-financial performance.
  - Independent challenge to, and assurance over, the Council's internal control framework and wider governance processes.
  - Reinforcement of the political neutrality and independence of the committee.
  - Maintain continuity of committee membership where the membership is affected by the electoral cycle.
7. The independent person would not have a vote in the same way as members of the committee and will be part of the committee in an advisory and consultative manner.
8. While operating as a member of the audit committee, the independent person is required to follow the councils' Constitution and Code of Conduct for elected members. They should also register any interests. It is usual for co-opted persons not to have voting rights, and this is the position being proposed here.
9. 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.

10. A job specification is attached at appendix 1 and is based on similar positions at other councils. Officers propose that the arrangements for the recruitment and advertising of the role are delegated to the head of legal and democratic and monitoring officer and section 151 officer, in consultation with the Joint Audit and Governance Committee co-chairs. Both the section 151 officer and monitoring officer support the appointment of an independent person.

## **Remuneration**

11. The committee is asked to consider whether remuneration should be offered given the need for quite specialised experience in audit, otherwise the position would be advertised as a voluntary position. Officers consider that the particular level of specialist knowledge and the limited pool of possible appointees supports the need for a small allowance. In order to attract suitably qualified and experienced applicants and to recognise the time commitment and resources required. If the committee agrees that a payment is appropriate, Council will be recommended to ask the Independent Remuneration Panel to consider an appropriate level of allowance, to be recommended to each Council.
12. Currently the independent persons assisting the monitoring officer with code of conduct matters are not paid an allowance. Officers are of the view that these positions provide valuable assistance to the monitoring officer and that there should be provision for an allowance in recognition of the role. If the committee agrees, Council will be recommended to invite the Independent Remuneration Panel to consider the payment of an allowance for the independent persons dealing with code of conduct matters.

## **Financial Implications**

13. Any costs associated with the recruitment, selection, appointment and subsequent disbursements to any Independent Person will be contained from within existing revenue service budgets. There is currently no budgetary provision for the payment of allowances for independent persons. Any allowances, should it be agreed that they be payable, would be built into the budget setting process for future financial years.

## **Legal Implications**

14. A council's audit committee is established further to the Local Government Acts 1972 and 2000 and its purpose is to give assurance to members and the public about the governance, financial reporting and performance of the council. The appointment of a non-voting Independent Person on the committee will assist and promote good governance and scrutiny of 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 disqualifications from membership, which is the same as those for being elected or being a member of a local authority. These requirements will be reflected in the recruitment pack.

## **Risks**

15. Subject to adequate vetting procedures and adherence to the Person Specification, this initiative should augment the Joint 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.

## **Other Implications**

16. None.

## **Conclusion**

17. To enhance the effectiveness of the Joint Audit and Governance Committee, and in line with the principles set out by CIPFA, it is proposed that the councils appoint an independent person who is not a member, or an officer of the councils, to the committee to contribute to the important role of promoting good governance and accountability.

## **Background Papers**

None

## **Appendices**

Appendix 1: Person specification

**Person Specification**

Requirements	Where identified*	Essential	Desirable
A broad range of experience, preferably in public, private, voluntary and charitable sector employment or service including self-employed, employed and voluntary positions.	A	✓	
Understanding of the wider local government environment and accountability structures.	A		✓
Strategic/financial management responsibilities.	A		✓
Qualification in accountancy, finance, risk management, business management or internal audit.	A		✓
Good understanding of corporate governance and risk management and the key elements of audit, value for money and external scrutiny. The ability to formulate and evaluate solutions to the issues identified.	A		✓
Good understanding of the roles of internal and external audit.	I		✓
Ability to understand complex issues and make objective, evidence-based decisions.	I	✓	
Strong interpersonal and communication skills.	I	✓	
Willingness to participate in meetings and ask searching questions in order to challenge and hold to account council officers and the representatives of internal and external audit.	I	✓	
Attend and prepare for each meeting of the Joint Audit and Governance Committee.	I	✓	
Ability/willingness to attend any relevant training or development activities associated with the role.	I	✓	
Independence of mind, objectivity and impartiality.	I	✓	

\* **A is application form**      **I is interview**