

Decision Maker: **AUDIT AND RISK MANAGEMENT COMMITTEE**

Date: **Wednesday 2 November 2022**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **INDEPENDENT CO-OPTED MEMBERS - AUDIT AND RISK MANAGEMENT COMMITTEE**

Contact Officer: Francesca Chivers, Head of Audit and Assurance
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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for decision/report and options

At the meeting of Audit and Risk Management Committee on 30 June 2022, Members requested a paper for the next meeting regarding the appointment of co-opted independent members to the Committee. This paper provides further information and asks Members to consider whether they wish to make a recommendation to full Council to appoint one or more independent co-opted members to Audit and Risk Management Committee.

2. **RECOMMENDATION(S)**

Members are asked to:

- a) Determine whether they wish to make a recommendation to full Council to appoint one or more co-opted independent members to Audit and Risk Management Committee
- b) Dependent on the outcome of a), comment on the key areas set out in paragraph 3.10; number of co-opted independent members, length of tenure, definition of independence and skills, knowledge and experience required
- c) Dependent on the outcome of a), agree the proposed process set out in Paragraph 3.12, subject to any amends arising from discussions.

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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Transformation Policy

1. Policy Status: Not Applicable
 2. Making Bromley Even Better Priority:
(5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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Financial

1. Cost of proposal: None
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre:
 4. Total current budget for this head: £
 5. Source of funding:
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Personnel

1. Number of staff (current and additional): Not Applicable
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Non-Statutory - Government Guidance: Relevant legislation is expected but there are currently no defined timescales for this.
 2. Call-in: Not Applicable:
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Procurement

1. Summary of Procurement Implications: None
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Property

1. Summary of Property Implications: None
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: None
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Customer Impact

1. Estimated number of users or customers (current and projected): Not Applicable
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 In September 2020, Sir Tony Redmond published his 'Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting'. The purpose of the Review was to examine the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public.
- 3.2 Whilst most of the recommendations arising from the Review relate to external audit provision and the annual statement of accounts, the Review did also recommend that "consideration be given to the appointment of at least one independent member, suitably qualified, to the Audit Committee".
- 3.3 In May 2022, following the Redmond Review and subsequent consultation, the Government announced that it would make the inclusion of independent members a statutory requirement for local Councils. The consultation response stated "Fundamentally, it is important that councils, as with other public bodies, have appropriate measures in place: the government considers it proportionate to establish a simple principle that local authorities should have an audit committee, with at least one independent member. Mandating for audit committees would ensure widespread take-up, along with improved public accountability".
- 3.4 There is currently no defined timescale for this proposed legislation; the consultation response simply states "once parliamentary time allows".
- 3.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) updated its Position Statement on Audit Committees in 2022. This Position Statement is not mandatory but nonetheless, it is supported by the Department for Levelling Up, Housing and Communities and Local Authorities are expected to make best endeavours to comply with the principles of the Statement.
- 3.6 The updated Position Statement advises that "The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise".
- 3.7 CIPFA's detailed guidance on Audit Committees is currently being revised and is due to be published imminently (late Summer 2022). However, the Position Statement itself recommends that the appointment of co-opted independent members on the Committee should take into account the overall knowledge and expertise of the existing members to ensure a suitable balance of skills and experience to fulfil the Committee's functions.
- 3.8 Any independent co-opted member appointed would not have voting rights; voting Members would consider any appropriate points raised by co-opted members when casting their votes.
- 3.9 Currently, the Council's Constitution does not allow for the appointment of co-opted members to Audit and Risk Management Committee. Therefore, any decision to appoint independent members would require a recommendation to, and agreement from, full Council.
- 3.10 Members are asked to consider whether they wish to proceed with a recommendation to full Council to appoint one or more independent co-opted members to Audit and Risk Management Committee at this stage.

Key principles

3.11 Should Members wish to appoint co-opted member(s) to Audit and Risk Management Committee, then the following areas will need to be considered prior to drafting the final proposal for full Council, together with the person specification / job description:

- The number of independent co-opted members required – The government’s consultation response states there should be at least one (although legislation has not yet been drafted). CIPFA’s Position Statement recommends there should be at least two.
- Desired length of tenure – Common practice is four years, with a maximum of five in order to preserve independence. To ensure the smooth running of any future recruitment process, Members may wish to avoid a potential change of co-opted member(s) concurrent with the next election period.
- Definition of ‘independent’ – This would include any current connections to the Council (including to officers or contractors), and elapsed time between any previous connections to the Council. It may also include current or previous connections to other Local Authorities. CIPFA has not defined ‘independent’ although this may be contained in the forthcoming guidance. Review of other Authorities arrangements where there are co-opted members of the Audit Committee highlights differences in approach, ranging from none specified to no connections within the previous five years.
- Experience, knowledge and skills required – This includes any essential or desired skills or experience, such as board or other experience, knowledge and understanding of governance, internal audit, accounts, regulation and compliance or risk management.

3.12 Currently, the Members Allowance Scheme states that co-opted Members do not receive an allowance.

Proposed process

3.13 Should Members wish to make a recommendation to Full Council to appoint one or more co-opted independent members to the Committee, they are asked to comment on and agree (subject to amends as part of the discussion) the following proposed process. Timescales can be amended as required; they are currently based around a proposal going to the first Full Council meeting after the March Audit and Risk Management Committee.

November 2022 – February 2023	Job description and person specification drafted by Head of Audit and Assurance, shared with the Chairman of Audit and Risk Management Committee, the Monitoring Officer and the Director of Finance for review and comment.
March 2023	Final draft proposal and job description / person specification presented to Audit and Risk Management Committee for review and approval.
April 2023	Proposal presented to full Council for agreement.
May - June 2023	If full Council agree the proposal, the Head of Audit and Assurance, the Director of Finance and the Monitoring Officer be authorised to advertise for co-opted non-voting member(s) of Audit and Risk Management Committee.
July 2023	The Head of Audit and Assurance, the Director of Finance and the Monitoring Officer, in consultation with

	the Chairman of Audit and Risk Management Committee, be authorised to shortlist suitable candidates.
August / September 2023	Interviews for shortlisted candidates, with a panel consisting of a selection of Members from Audit and Risk Management Committee.
November 2023	First meeting of Audit and Risk Management Committee with co-opted independent member(s).

4. LEGAL IMPLICATIONS

The Government has set out its intention to mandate the inclusion of one independent member on every Local Government audit committee, however timescales have not yet been determined.

Non-Applicable Headings:	Impact on Vulnerable Adults and Children Transformation / Policy Implications Financial Implications Personnel Implications Procurement Implications Property Implications Carbon Reduction / Social Value Implications Customer Impact Ward Councillor Views
Background Documents: (Access via Contact Officer)	None