

Appointment of an Independent Person to the Audit & Scrutiny Committee

Audit & Scrutiny Committee Tuesday, 27 June 2023

Report of: Chief Finance Officer (Section 151)

Purpose: For recommending to Full Council

Publication status: Open

Wards affected: All Wards

Executive summary:

To seek approval to the principal of appointing an Independent Person to the Audit & Scrutiny Committee.

This report supports the Council's priority of:

Building a better Council.

Contact officer Barry Gilham Democratic and Electoral Services Officer
bgilham@tandridge.gov.uk

Recommendation to Committee:

That Members recommend that Full Council approves the decision to:

1. Approve the principle of co-opting an Independent Person onto the Audit & Scrutiny Committee on a non-voting basis for a period of two years, with an associated allowance of £500 per annum.
2. Change the permanent membership of the Audit & Scrutiny Committee to include an Independent Person.
3. Delegate to s151 Officer, in conjunction with the Chair and Vice Chair of the Audit & Scrutiny Committee, to undertake the recruitment process and formal appointment of the Independent Person to the Committee, including any future appointments.
4. Approve the role description, skills and competencies and person specification at Appendix A.

5. Authorise the Head of Legal and Democratic Services to make changes to the Council's Constitution to include the appointment when made.
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Reason for recommendation:

An independent review into the effectiveness and transparency of local audit and its ability to demonstrate accountability to the public was completed in 2020. The review recommended that the governance arrangements within local authorities should be reviewed and consideration should be given to the appointment of at least one independent member, suitably qualified, to audit committees.

This report seeks to approve the principal of the appointment of an Independent Person in order to bring the Council in line with the abovementioned recommendation which would, in turn, increase the level of audit experience on the committee.

Introduction and background

1. In a report entitled "*Audit committees and scrutiny committees: working together*" dated June 2021, the Centre for Governance and Scrutiny stated that, as a matter of good practice, a way of bringing expertise into the work of Audit is through the appointment of independent lay members. This report was based on the findings and recommendations of the *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting* by Sir Tony Redmond from September 2020.
2. Many local authorities now include independent persons on their Audit & Scrutiny 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.

Independent Person Appointment

3. This report requests that Members of the Audit & Scrutiny Committee ('the Committee') consider the appointment of an Independent Person ('IP') to the Committee. The IP would be a non-councillor with some experience in the area of audit and would have a similar status to the IP on the Council's Standards Committee. The IP would not have a vote in the same way as Councillors do at committee meetings and will be there in an advisory consultative manner only. The appointment would be for a two year period, following which the s151 Officer would undertake a recruitment process for the following two year period.
4. A suitably qualified and experienced independent member serving on the Committee may also bring specialist knowledge and insight to the workings and deliberations of the Committee which, when partnered with Councillors knowledge of working practices and procedures, will ensure:
 - 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 Authority's internal control framework and wider governance processes.
 - Oversight of the financial reporting process.
5. While operating as a member of the Committee, the IP is required to follow the Council's 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.
 6. It is recommended that recruitment be on a competitive basis following the Council's rules, including an open advertisement and interviews. A draft person specification for the role is attached as Appendix A.

Remuneration

7. It is considered 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. It is suggested that, in order to attract suitable candidates, the role should attract an allowance of £500 per annum.

Other options considered

8. It is a requirement for police audit committees, English combined authorities and for local authorities in Wales to have an independent person, and it is usual practice for non-executives to be committee members in health and central government audit committees. However, the appointment of an independent person is not required for local authorities in England.
9. Therefore, the Council could decide not to appoint to this position. However, as local authorities are accountable to service users and taxpayers and there are concerns surrounding the current local authority audit process nationally, appointing an independent person would provide an additional level of scrutiny and additional expertise to the Committee with minimal cost implications.

Key implications

Comments of the Chief Finance Officer

Any costs associated with the recruitment, selection, appointment and subsequent disbursements to any independent panel members would need to be contained from within existing revenue service budgets.

Strengthening the Council's arrangements for internal control and governance in this way is a positive step.

Comments of the Head of Legal Services

The Council's Audit & Scrutiny Committee is established further to the Local Government Act 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. At present there is no statutory requirement that determine that local authorities must appoint IPs – such appointments are a requirement for Police audit committees, English combined authorities and for local authorities in Wales, and it is usual practice for non-executive to be committee members in health and central government audit committees. The appointment of an IP will assist and promote good governance and scrutiny of the Committee.

Equality

Applications for the position of Independent Person to the Audit Committee will be open to all residents over the age of 18.

Climate change

None

Appendices

Appendix A – Audit & Scrutiny Independent Person Role Profile

Background papers

1. Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, Sir Tony Redmond, September 2020

[Local authority financial reporting and external audit: independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/92121/local-authority-financial-reporting-and-external-audit-independent-review-2020.pdf)

2. Audit committees and scrutiny committees: working together, Centre for Governance and Scrutiny, June 2021

[Audit committees and scrutiny committees: working together - Centre for Governance and Scrutiny \(cfgs.org.uk\)](https://www.cfgs.org.uk/wp-content/uploads/2021/06/Audit-committees-and-scrutiny-committees-working-together-2021.pdf)

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