

Report to: Audit Committee

Date of meeting: 7 July 2023

By: Chief Finance Officer

Title: Appointment of Independent Members to the Audit Committee

Purpose: To seek the Audit Committee's views on the CIPFA Position Statement proposal that all local government Audit Committees should have at least two independent Members.

RECOMMENDATION:

The Audit Committee is asked to consider and express a view on the CIPFA Position Statement's proposal that the Audit Committee should have at least two independent Members.

1. Background

- 1.1 The *CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022* has been published, replacing the 2018 edition. The statement represents CIPFA's view on Audit Committees and is the outcome of consultation with local authority representatives. It is expected that all local government bodies make the best effort to adopt the principles within the statement. The Department of Levelling Up, Housing and Communities support the guidance.
- 1.2 A summary of the Position Statement is attached at Appendix A.

2. Independent Members of Audit Committees

- 2.1 In the section "Membership and the effectiveness of the audit committee", CIPFA reference the role of the co-opted independent members (also known as lay members), in increasing the knowledge and experience base of the committee, whilst also reinforcing its independence. Whilst there is no legislative requirement for independent members in most English authorities (it is a legal requirement in Wales and in English combined authorities), CIPFA recommends the committee includes two co-opted independent members.
- 2.2 CIPFA's reasons for their recommendation are:
- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting;
 - To provide continuity outside of the political cycle;
 - To help achieve a non-political focus on governance, risk and control matters;
 - Having two co-opted members rather than one will allow recruitment of members with different but complimentary knowledge and experience, increase resilience and continuity of the committee;
 - Having two co-opted members shows a commitment to supporting and investing in the committee.
- 2.3 The role of the co-opted member will be the same as for Councillors on the committee. The only real difference would be where the committee has delegated decision-making responsibilities, which is not the case for the ESCC Audit Committee, in which co-opted members could not be able to participate on the decision making process.

- 2.4 It is normal practice to make a form of remuneration to recognise the value and time contributed to the committee, together with the reimbursement of expenses.
- 2.5 In a survey of 30 counties, through the Society of County Treasurers, there are 16 authorities who have 1 or two co-opted independent members, with North Yorkshire having 3. A further 8 authorities are either considering or actively recruiting to new co-opted independent members, with only 5 authorities taking no action at this time. See Appendix B.
- 2.6 In order to assess whether there are particular knowledge and/or skills that an independent member could bring, the Audit Committee will undertake a self-assessment, in line with the CIPFA Position Statement.

3. Conclusion and Recommendation

- 3.1 The Audit Committee is asked to consider and express a view on the CIPFA Position Statement's proposal that Audit Committees should have at least two independent Members. A report will then be taken to Governance Committee.

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Local Member(s): All
Background Documents
None