

Report to: Governance Committee

Date of meeting: 18 July 2023

By: Chief Finance Officer

Title: Appointment of Independent Members to the Audit Committee

Purpose: To seek approval to the appointment of two independent members to the Audit Committee, in line with the CIPFA Position Statement on Audit Committees 2022.

RECOMMENDATION:

The Governance Committee is recommended to recommend County Council to:

1. Agree to amend the size and composition of the Audit Committee to include two independent members to the Audit Committee, in line with the CIPFA Position Statement on Audit Committees 2022.
 2. Delegate authority to the Governance Committee to appoint the independent co-opted Members to the Audit Committee.
 3. Amend the Constitution accordingly.
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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. If approved, this will need to be determined.
- 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 2
- 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.
- 2.7 The Audit Committee was consulted at its meeting on 7 July 2023, at which support was expressed for the proposal. A number of questions were raised which will need to be worked through should the proposal be approved, including:
- A detailed job description and person specification, aligned to any complimentary knowledge/experience requirements;
 - Term of office – how long and how to maintain organisational memory;
 - Impact of electoral cycle;
 - Remuneration levels;
 - Potential, at a future point, for an independent Chair of the Audit Committee.

3. Conclusion and Recommendation

- 3.1 Appointments of Independent Members to the Audit Committee will strengthen the Council's Governance arrangements by increasing the knowledge and experience base of the committee, whilst also reinforcing its independence. Should Council agree to the addition of two independent members the Constitution will need to be amended to reflect this. The Governance Committee is recommended to recommend County Council to agree to the addition of two independent co-opted Members to the membership of the Audit Committee; to delegate authority to the Governance Committee to appoint the Members and to amend the Constitution accordingly.

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Local Member(s): All
Background Documents:None