



REPORT TO: Civic Affairs Committee

12 September 2023

LEAD OFFICER: Head of Shared Internal Audit / Head of Finance

Independent Members

Executive summary

1. This report has been produced to consider whether the membership of the Audit and Corporate Governance Committee should include an independent member, or members, who are neither a Council elected member or an officer.
2. Recent guidance from professional bodies have reinforced the benefits associated with independent members and recommended that Councils appoint them.
3. Guidance on the role of the independent members is included in the appendices to this report.
4. The Audit and Corporate Governance Committee considered this at the meeting on 26 July 2023. It was agreed to proceed and recommend this is reviewed at Civic Affairs Committee as it is a constitutional change. If this Committee agrees, they should propose that it is approved by Full Council so the Constitution can be updated.

Key Decision

5. This is not a key decision because this it does not fall within the Constitutional definition of a Key Decision.

Recommendations

6. Civic Affairs members instructions are sought on whether to recommend to Council the appointment of an Independent Member to Audit and Corporate Governance Committee.
7. If the Committee proposes the changes to Council and it is approved, the Chief Finance Officer, after consultation with the Chairman of the Audit & Corporate Governance Committee, should be authorised to make the necessary arrangements to recruit and select the Independent Member.

Reasons for Recommendations

8. Appointing an Independent Member would help the Committee follow best practice set out by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Details

9. The Audit and Corporate Governance Committee is a key component of the Council's corporate governance framework. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
10. The purpose of the committee is to provide independent assurance, to the members, of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks; and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

11. It is best practice that the Audit and Corporate Governance Committee periodically reviews if it would be beneficial to appoint co-opted independent members to the Committee (also known as lay members).
12. Further information is enclosed in the Appendix A below.

Feedback and recommendations from the Audit & Corporate Governance Committee

13. The Audit & Corporate Governance Committee reviewed the options and recommended appointment of a single independent member.
14. Factors that were discussed and informed the decision included:

Best practice	It was recognised that appointing an independent member was recommended as best practice by the professional body CIPFA, who sets out guidance on effective audit committees.
Availability	<p>Best practice is to recruit two independent members. It may be a challenge to recruit a people with the skills and resources required.</p> <p>The Committee agreed that recruiting a single person is more achievable. This could be reviewed again in future.</p>
Non-elected member	<p>Concern was raised about appointing a non-elected member.</p> <p>A co-opted or lay member is a committee member who is not an elected representative but recruited to join the committee. The objective of including such members is to increase the knowledge and experience base of the committee, reinforcing its independence.</p> <p>Recommended best practice from CIPFA, is to appoint a non-elected member in English authorities. Inclusion of lay members is already a legislative requirement for authorities in Wales and combined authorities in England.</p>
Voting rights	<p>Best practice is that the role description of a co-opted member of the committee will be the same as for an elected representative who is a committee member. There are two exceptions:</p> <ul style="list-style-type: none"> • where the committee has been delegated decision making responsibilities. The Committee currently has no delegated decision-making responsibilities set out in the Constitution. • The Committee is required to approve the Statement of Accounts and the Annual Governance Statement in accordance with the Accounts and Audit Regulations. In England and Wales, co-opted independent members cannot vote to approve the accounts under section 13 of the Local Government and Housing Act 1989. They can advise and comment. <p>Therefore, it is proposed that the Independent Member would be a voting position noting the exceptions above.</p>
Local Resident	<p>It was suggested that the Independent Member should be a resident of the district.</p> <p>While preferred, this is not crucial to the role and may restrict the pool of available candidates.</p> <p>The most important focus will be to recruit someone with the relevant skills and knowledge, and to make sure that they actively participate and attend all meetings.</p>

Options

15. The options are to:
 - (a) Do nothing and maintain the current arrangements;
 - (b) Propose to full Council a change in the Constitution, as per the recommendation in paragraph 6. This will enable officers to commence the process for appointing an Independent Member with powers as set out in the appendices which are based on best practice guidance.

Implications

16. In the writing of this report, the following implications have been considered:

Policy

17. The Council's Audit and Corporate Governance Committee, or Civic Affairs Committee, does not currently have arrangements to appoint independent members. If an independent appointment was recommended, then changes to the constitution would be necessary following approval by Council.

Legal

18. The Council's Audit and Corporate Governance Committee is defined by the Local Government Act 2000 and its purpose is to give assurance to elected members and the public about the governance, financial reporting and performance of the Council. The appointment of independent members on the committee will assist and promote good governance and scrutiny of the committee. If committee decides to recommend the appointment an independent member, then this would require a constitutional change and the matter will need to go to full Council for approval.

Financial

19. It is usual practice to provide some form of payment to the lay committee members and to pay expenses for attending meetings for 2022/23 the allowance was £1,163. The allowance recognises the value and time contributed by the member. If an independent member is appointed as the committee chair, an additional sum would be appropriate. There will also be recruitment costs.

Risk

20. There is a risk that it will prove difficult to make an appointment and to ensure that any appointment made is a suitable member. There will need to be a clear person specification that draws out the attributes that the Council would be looking for the person to possess and to guide the recruitment panel in the selection process.

Background Papers

21. Background papers used in the preparation of this report:
- Audit & Corporate Governance Committee Terms of Reference

Appendices

22. Appendices to this report include:
- Appendix A - Independent Member Guidance
 - Appendix B – Role Description

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Appendix A – Independent Member Guidance

Background

23. Audit committees in local authorities are necessary to satisfy the wider requirements for sound financial management and internal control.
24. The Accounts and Audit (England) Regulations 2015 state that a local authority is responsible “for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk”. In addition, section 151 of the Local Government Act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs”.
25. A co-opted independent or lay member is a committee member who is not an elected representative but recruited to join the committee. The objective of including such members is to increase the knowledge and experience base of the committee, reinforcing its independence.
26. Inclusion of lay members is a legislative requirement for authorities in Wales and for combined authorities in England. Where there is no requirement, CIPFA recommends the committee includes two co-opted independent members.

Benefits of Independent Members

27. The reasons for CIPFA’s recommendation are as follows:
 - To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
 - To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
 - 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 complementary knowledge and experience, increase the resilience and continuity of the committee.
 - Having two co-opted members shows a commitment to supporting and investing in the committee.

While including co-opted members can bring real value to the committee, care is needed to ensure that the arrangement works well, both for the co-opted member and for the other committee members. It is essential that the co-opted member receives an adequate induction and ongoing support to provide organisational context and to build working relationships.

Historical evaluation

28. The Audit & Corporate Governance Committee has previously considered the benefits of appointing an Independent Member.
29. In [April 2019](#) the Audit and Corporate Governance Committee reviewed its Terms of Reference using the guidance published by CIPFA. The [Terms of Reference](#) form part of the Council’s Constitution.
30. At the April 2019 meeting Members considered the appointing an Independent Member, and this is recorded in the minutes:

“It was suggested that the Committee should include a non-councillor in its membership. It was noted that this could ensure experienced knowledge in the Committee’s membership but the Council might find it difficult to recruit a suitable candidate.

It was agreed that a small Special Responsibility Allowance should be paid to an independent member and full Council would be responsible for appointing them.

The Committee agreed that it should have the option of appointing an independent person to its membership and asked the Deputy Head of Legal Practice to investigate whether this was possible.”

31. At the [September 2019](#) meeting Members considered a report from the Head of Finance and the Monitoring Officer. The Committee made the following points:
 - It was unclear what additional benefit an independent members could bring to the Committee.
 - The Council would find it difficult to attract a person of suitable calibre for this position.
 - It was unlikely that the allowance that would be offered for the position would prove much of an incentive.
32. The Committee resolved not to recommend the appointment of an independent member at this time, but to review this issue periodically.
33. In March 2023 the Audit and Corporate Governance Committee completed a self-assessment to the latest guidance published by CIPFA. At this workshop the Committee agreed to review the appointment of an Independent Member at a future meeting.
34. In July 2023 the [Audit and Corporate Governance Committee](#) considered a report on appointment of an independent member. It was agreed that this should be progressed as best practice and agreed it should be proposed to Civic Affairs as it was a constitutional change.

Current professional guidance and best practice

Redmond Review

35. Sir Tony Redmond completed an Independent Review into the oversight of local audit and the transparency of local authority financial reporting in 2019. In 2021 the Department for Levelling up, Housing & Communities published their [final response to the technical consultation](#) on the local audit framework. The response said:

“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.

Consequently, based on the consultation feedback, we will be making Audit Committees, with at least one independent member, a mandatory requirement, once Parliamentary time allows.

We will continue to consult with partners on how this should be implemented. In the intervening period, the government would encourage local bodies to establish their arrangements in line with CIPFA’s guidance, including appointing independent members.

CIPFA Position Statement

36. CIPFA published, in 2022, a revised Position Statement: Audit Committees in Local Authorities and Police. The statement represents CIPFA’s view on the audit committee practice and principles that local government bodies in the UK should adopt.
37. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
38. The Position Statement includes the potential role of Independent Members:

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.

CIPFA Guidance

39. CIPFA issued updated guidance on audit Committees in 2023. This provided guidance on the role of the co-opted independent member:

The role description for a co-opted member of the committee will be the same as for an elected representative who is a committee member. The only substantial difference will be where the committee has been delegated decision-making responsibilities – although such delegations are not advised by CIPFA – a co-opted member cannot vote on council policy, so will not be able to take part in the decision, though they can, of course, contribute to the discussions prior to the formal decision.

The minutes of the meeting should distinguish between a delegated committee decision and a recommendation from the committee to another council body. The latter is part of the role of an advisory committee and the co-opted member should be able to take part fully.

Process for adopting the change

40. If the Audit and Corporate Governance Committee wish to proceed with the proposal, they should recommend this to Civic Affairs Committee and thereafter Council as it will be a Constitutional change. The Audit and Corporate Governance Committee agreed to proceed, and this is now being presented to the Civic Affairs Committee:



41. In preparing for the appointment of an independent member a recruitment process would need to be carried out which would involve officer and member time, there would be a small cost attached to the process.

Anticipated challenges and considerations

42. It is not currently known whether there would either be any interest in this or indeed anyone suitable to carry out the role.
43. The member would need to have some understanding of how a local authority works and would also need to have a finance background. The risk of appointing someone with a finance background but no knowledge of local authority finance is that it could generate additional work and questions that add little to the process, and it is important that the independent member adds value to the Audit and Governance process.
44. Another consideration would be whether the member would have voting rights in the same way that other members would have. Members instructions are sought on whether the independent member should be in the same position as any other committee member including the ability to vote on issues as and when required. This is best practice.
45. It would also seem appropriate to pay an allowance to the independent member in recognition of their duties which would be an additional cost in the budget.
46. Members would also need to determine the duration of any appointment and officers would recommend a 4-year initial term with re-appointment for a further term or terms. It would also be necessary to make amendments to the Council's constitution to reflect any changes this would bring. A draft role description is attached at appendix B.

Appendix B - Role Description for Independent Member

Independent Member of Audit & Corporate Governance Committee

Role Description

1. To engage fully in collective consideration of the issues before the Audit & Corporate Governance Committee, taking into account a full range of relevant factors, including legislation and supporting regulation (e.g. the Accounts & Audit Regulations 2011), professional guidance (e.g. that issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)), and the advice of the Council's Section 151 Officer.
2. To participate fully in the discharge of all Audit Committee functions, as set out in the Audit & Corporate Governance Committee's terms of reference and the constitution
3. To promote the concept of proportionate, effective risk management and internal control throughout the organisation; and to champion the work of Internal Audit, External Audit and Risk Management.
4. To participate in periodic review of the overall effectiveness of the Audit & Corporate Governance Committee, and of its terms of reference.
5. To ensure that the minutes of Audit & Corporate Governance Committee meetings accurately record decisions taken.

Skills and Competencies

1. Demonstrates up to date knowledge, skill and a depth of experience in the fields of audit, accounting, risk management and performance management. Experience gained working in a large, or public sector organisation.
2. Knowledge of the Council's strategic priorities and objectives. Understanding of the complexity of issues surrounding audit and risk management in local government.
3. Works to high behavioural standards, demonstrating honesty, probity, and the highest level of integrity in conduct. Follows the Council's Constitution and the Member's Code of Conduct.
4. Operates consistently and without bias.
5. Is an effective role model; supports appropriate behaviours and challenges opinions and advice where appropriate, separating major issues from minor ones.
6. Contributes proactive, proportionate and independent thought, and also collaboration with officers to temper the opinions of Committee members.
7. Works sensitively with people inside and outside committee.
8. Listens to and balances advice.

Additional Information

9. Must not be a serving local government officer or councillor.
10. Must have no personal, legal or contractual relationship with South Cambridgeshire District Council (including employees or Members or former staff), or any other relationship / activity which might represent a conflict of interest.
11. Must attend at least half of the scheduled meetings and be able and willing to devote the necessary time to the role and any occasional training and development required for the role.