

AUDIT & ACCOUNTS COMMITTEE
5 FEBRUARY 2020

REVIEW RELATING TO THE APPOINTMENT OF AN INDEPENDENT MEMBER

1.0 Purpose of Report

1.1 To enable Members of the committee to consider the appointment of an Independent Member to the Audit and Accounts Committee as per the CIPFA Best Practice Guidance.

2.0 Background Information

- 2.1 At the meeting on 27th November 2019 the results of the self-assessment exercise highlighted an action in relation to the consideration of including at least one independent member to the Committee.
- 2.2 The action plan detailed that a report would be tabled to this Committee which facilitated the consideration of an independent member.
- 2.3 CIPFA's position statement states that *"The committee should: in local authorities, be independent of both the executive and scrutiny functions and include an independent member where not already required to do so by legislation"*.
- 2.4 Under the Council's constitution, the first item in the remit for the Audit and Accounts Committee's is:- *"to approve the Authority's statement of accounts, income and expenditure and balance sheet or record of receipts and payments"*.
- 2.5 Under S102(3) of the Local Government Act 1972, Co-opted members are not permitted to be members on Committees which are responsible for *"regulating and controlling the finance of the local authority"*.
- 2.6 CIPFA do acknowledge these limitations recommending that Local Authorities should have regard to Section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected committee members. This states that *"A person who – (a) is a member of a committee appointed under a power to which this section applies by a relevant authority and is not a member of that authority; shall for all purposes be treated as a non-voting member of that committee"*.
- 2.7 Their view is that where an audit committee is operating as an advisory committee under the Local Government Act 1972, making recommendations rather than policy, then all members of the committee (including an co-opted members) should be able to vote on those recommendations. However, where a council has delegated decisions to the committee, for example the adoption of the financial statements, then independent members will not be able to vote on those matters for decision.
- 2.8 As part of the Committees remit is therefore to regulate and control the Councils' finances, under S102(3), co-opted members with voting rights are not permitted on this Committee, the arrangements therefore mean that the Council are at variance with the CIPFA position statement.

2.9 CIPFA also acknowledge that there are no statutory requirements that determine that local authorities must appoint independent co-opted members, albeit such appointments are a requirement within police authorities, English combined authorities and for local authorities in Wales.

2.10 CIPFA's view is that the injection of an external view can often bring a new approach to committee discussions. Authorities that have chosen to recruit independent members have done so for a number of reasons:

- To bring additional knowledge and expertise to the committee;
- To reinforce the political neutrality and independence of the committee;
- To maintain continuity of committee membership where membership is affected by the electoral cycle.

2.11 CIPFA do though acknowledge there are potential pitfalls to the use of independent members which should also be borne in mind:

- Over-reliance on the independent members by other committee members can lead to a lack of engagement across the full committee;
- Lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports;
- Effort is required from both independent members and officers to establish an effective working relationship and establish appropriate protocols for briefings and access to information.

2.12 The National Audit Office (NAO) recent publication: Local Authority Governance reported that their focus groups of internal and external auditors had stressed the benefits to audit committee effectiveness of having independent committee members. The same report identified (from the NAO's review of local authority website) that 33% of local authority audit committees have an independent member.

2.13 The NAO has recommended that government work with local authorities and stakeholders to assess the implications of, and possible responses to the effectiveness of audit committees and how to increase the use of independent members.

2.14 Analysis across Nottinghamshire shows that only one of the other District Authorities currently have independent members co-opted onto their audit committees. This is Mansfield District Council and currently they remunerate them £530 per annum.

3.0 CONCLUSIONS:

3.1 At present there are no statutory requirements on the authority to appoint an independent member to the audit committee. The NAO has recommended that further work be done by government with local authorities and other stakeholders to examine how the use of independent members on audit committees can be increased.

3.2 Guidance from CIPFA notes both positive and cautionary reasons for such appointments and decisions of this nature need to take account of each local authority's own circumstances.

4.0 RECOMMENDATIONS:

That the Committee:

- (a) Review and discuss the proposal to co-opt an independent member onto the committee and make recommendations to Council where appropriate.

Background Papers

CIPFA Audit Committees Practical Guidance for Local Authorities and Police
NAO Report – Local Authority Governance

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