

Report To:	Audit Committee	Date:	29th March 2021
Heading:	INDEPENDENT MEMBER FOR THE AUDIT COMMITTEE		
Portfolio Holder:	COUNCILLOR RACHEL MADDEN – CABINET MEMBER FOR FINANCE		
Ward/s:	ALL		
Key Decision:	No		
Subject to Call-In:	No		

Purpose of Report

To enable Members of the committee to consider the appointment of an Independent Member to the Audit Committee as per the CIPFA Best Practice Guidance, National Audit Office (NAO) Guidance and the Redmond Review Recommendations.

Recommendation(s)

To review and discuss the proposal to appoint an Independent Member onto the Audit Committee.

Reasons for Recommendation(s)

CIPFA Best Practice Guidance, National Audit Office (NAO) Guidance and the Redmond Review Recommendations requires that Audit Committees must actively explore the appointment of at least one independent member to the Committee.

Alternative Options Considered

Not to require the Audit Committee to consider the appointment of at least one independent member to the Committee, which would be not be in adherence with best practice.

Detailed Information

- 1.1 CIPFA best practice considers that Audit Committees must actively explore the appointment of at least one independent member to the Committee. This is to demonstrate good governance principles and independence from the executive and other political allegiances.

- 1.2 Good practice shows that an appointed independent members is beneficial to the audit committee. It is a requirement for police audit committees, English combined authorities and for local authorities in Wales, and it is usual practice for non-executives to be committee members in health and central government audit committees. 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; and
 - To maintain continuity of committee membership where membership is affected by the electoral cycle.
- 1.3 CIPFA do though acknowledge where authorities make use of independent members there are also limitations:
- 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.
- 1.4 In January 2019 The National Audit Office (NAO) reported on Local Authority Governance and recommended that central 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.
- 1.5 In October 2020 the Audit Committee considered a report outlining the recommendations arising from Sir Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. The Redmond review recommended consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee.
- 1.6 MHGLG have responded to the Redmond review and has agreed with the above recommendation. MHCLG have pledged they will work with key stakeholders such as CIPFA, the NAO and the LGA to ensure that, where appropriate, new guidance is issued which addresses the recommendations relating to the appointment of an independent member(s) to audit committees.
- 1.7 At present there are no statutory requirements on the authority to appoint an independent member to the audit committee.
- 1.8 Analysis across Nottinghamshire shows that only one of the other District Authorities currently have independent members appointed onto their audit committees. This is Mansfield District Council and the current remuneration for their independent member is £530 per annum. Newark and Sherwood District Full Council accepted a recommendation from its Audit and Accounts Committee to appoint an independent member in March 2021.
- 1.9 As outlined in paragraph 1.2 and 1.3 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.

Implications

Corporate Plan:

The Audit Committee provides scrutiny of the authority's financial and non-financial performance and therefore forms part of the governance process to reflect sound financial management in supporting the Corporate Plan.

Legal:

An independent member would be a Co-opted Member of the Committee for the purposes of the application of the Code of Conduct.

There is no legislative requirement at this time for the Council to appoint an independent member to the Audit Committee.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	The independent member would be paid an allowance and be reimbursed for travel and subsistence expenses. These costs are not currently provided for in the annual budget or MTFS.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
Audit Committee do not consider the appointment of an Independent Member to the Audit Committee.	This report is being considered by Audit Committee.

Human Resources:

None

Environmental/Sustainability

None

Equalities:

None

Other Implications:

None

Background Papers

CIPFA Audit Committees Practical Guidance for Local Authorities and Police

NAO Report – Local Authority Governance

Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

MHCLG Response to the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

Report Author and Contact Officer

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