



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**5 December 2023**

**Report of the Assistant Director of Finance (Audit)**

**Co-opted Independent Audit Committee Members**

**1. Purpose**

- 1.1 To seek approval to appoint two co-opted independent members to the Audit Committee.

**2. Information and Analysis**

- 2.1 The Audit Committee is a key component of an Authority's governance framework. The Committee's core functions include high-level assurance and objective oversight of the governance, risk and control arrangements, financial and governance reporting, and establishment of audit and assurance processes across the full range of the Authority's operations and collaborations.
- 2.2 Independent of both executive decision making and scrutiny functions, the Audit Committee oversees the Council's arrangements for internal and external audit and assists in ensuring that efficient and effective assurance arrangements are in place. The Committee's constitution, role, function and responsibilities are defined within the Council's Constitution.

**CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022**

- 2.3 The level of influence exerted by the Audit Committee is underpinned by the knowledge, experience and aptitude of its members. CIPFA's

Position Statement: Audit Committees in Local Authorities and Police 2022 (endorsed by the Department for Levelling Up, Housing and Communities and the Home Office), outlines the following recommended characteristics of audit committee memberships, highlighting the importance of cultivating an independent and unbiased approach:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent attitude, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

2.4 The Position Statement recommends that the skills and experience of elected members should be supplemented by inclusion of at least two co-opted independent members to provide appropriate technical expertise.

### **Definition of an 'Co-opted Independent Member'**

2.5 Co-opted independent members are not elected representatives. These individuals are instead recruited to join the committee, specifically to supplement the knowledge and skills available and to reinforce the committee's independence.

2.6 Although there is no statutory definition of 'co-opted independent' audit committee members for local authorities in England, Scotland or Northern Ireland, it is recommended that co-opted independent members should be appointed in accordance with the following:

- Not a member, co-opted member or officer of the authority.
- Not a member, co-opted member or officer of a parish, district or borough council in the area of the principal authority.
- Not a relative or close friend of one of the above.
- Not a member, co-opted member or officer of the authority or parish council in the last five years.

## **Role of a Co-opted Independent Member**

- 2.7 The role undertaken by co-opted independent committee members is largely the same as elected members, the only substantial difference arises where the committee has delegated decision-making responsibilities. In such circumstances, co-opted independent members cannot vote on council policy, however they should be encouraged to contribute to discussions prior to a formal decision being made. An annual allowance is normally payable to each co-opted independent member, which will need to be determined.
- 2.8 The addition of two co-opted independent members will increase the Committee's current composition, as defined within the Constitution, from six members to eight.
- 2.9 A detailed Role and Person Profile for Co-opted Independent Audit Committee Members has been developed utilising guidance offered by CIPFA's Audit Committees: Practical guidance for local authorities and the police. A copy of the proposed Role and Person Profile has been included at Appendix 2.

## **Considerations When Appointing Co-opted Independent Members**

- 2.10 CIPFA's Audit Committees: Practical Guidance for Local Authorities and Police 2022 highlights the following potential benefits of introducing co-opted independent members:
- Enhancement of knowledge and experience in specific areas such as audit or financial reporting.
  - To provide continuity outside of the political cycle, this is particularly important where membership of the committee changes routinely.
  - To achieve a non-political focus on governance, risk and control matters.
  - Increased resilience and continuity of the committee, particularly where the two co-opted independent members have complementary skill sets.
  - Shows a commitment to supporting and investing in the committee.
- 2.11 To make best use of co-opted independent members, care should be taken to avoid over-reliance on these individuals and ensure engagement throughout the committee's membership remains high.
- 2.12 Potential barriers to a co-opted independent member's performance such as lack of organisational knowledge or 'context' and absence of working relationships should be considered prior to appointment and

actively addressed from the outset through formal completion of a comprehensive Member induction.

- 2.13 To maximise the impact and efficacy of co-opted independent members, care should be taken to evaluate the knowledge and experience currently available to the Committee and ensure that the expertise of any co-opted independent members appointed, both complements and enhances the skill set of existing members.
- 2.14 Although a number of authorities were utilising co-opted independent members previously, recent publication of the Position Statement and associated recommendations has brought about a sudden increase in recruitment exercises of this type. This should be considered when determining the remuneration values for these posts as county councils of a similar size and nature to Derbyshire have advertised allowances from £1,000 to £2,500, plus expenses. The £759 determined by Derbyshire's current Members Allowance Scheme appears more broadly on par with the offerings of district and borough councils.
- 2.15 The arrangements for recruitment will be delegated to the Chair of the Committee, in consultation with the Monitoring Officer. A cross party panel of three Committee members and a Lead Officer will be appointed to the selection panel to interview candidates and recommend a candidate for approval, initially to the Committee and then to full Council.

### **CIPFA's Self-Assessment of Good Practice for Audit Committees**

- 2.16 An Audit Committee workshop held 31 January 2023, hosted by the Assistant Director of Finance (Audit) outlined the content of CIPFA's Position Statement and Practical Guidance for Local Authorities and Police 2022, alongside completion of the associated Self-Assessment of Good Practice for Audit Committees.
- 2.17 The self-assessment exercise was designed to consider the Audit Committee's performance against CIPFA's four key principles. The percentage of the possible maximum scores awarded during the self-assessment exercise have been included for information:
  - Audit Committee Purpose and Governance (36%).
  - Functions of the Committee (78%).
  - Membership and Support (47%).
  - Effectiveness of the Committee (50%).
- 2.18 The lack of 'lay' or co-opted independent members was specifically highlighted as an area of weakness within the 'Membership and

Support' category as Committee members expressed a desire for more specialist and technical backing. An increased level of discussion and challenge, anticipated through the introduction of co-opted independent members will also assist in further developing qualities which underpin the overall 'Effectiveness of the Committee'.

### **3. Implications**

- 3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

### **4. Background Papers**

- 4.1 Background papers held by the Assistant Director of Finance (Audit):
- CIPFA's Position Statement and Practical Guidance for Local Authorities and Police 2022.
  - CIPFA's Audit Committees: Practical Guidance for Local Authorities and Police 2022.
  - Completed Self-Assessment of Good Practice for Audit Committees.

### **5. Appendices**

- 5.1 Appendix 1 – Implications.  
Appendix 2 – Role & Person Profile of Co-opted Independent Member.

### **6. Recommendation(s)**

That Committee:

- a) Note the proposal to appoint two co-opted independent members to the Audit Committee in line with the recommendations of the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022, and support referral of the proposal to full Council for approval.
- b) Note the Role and Person Profile for the co-opted independent members as included at Appendix 2.
- c) Approves that the proposal is referred to the Governance, Ethics and Standards Committee and thereafter full Council, to seek a constitutional change to the Committee's composition to reflect the introduction of two co-opted independent members.
- d) Agrees that subject to full Council approval, a recruitment process should be commenced to appoint two co-opted independent persons

and authorises the Monitoring Officer to commence the recruitment process and make arrangements for a cross-party, politically balanced recruitment panel of three members drawn from the Audit Committee, and one Lead Officer to interview candidates and recommend a candidate for approval, initially to the Committee and then to full Council.

## **7. Reasons for Recommendation(s)**

- 7.1 To ensure compliance with the recommendation to appoint at least two co-opted independent audit committee members as per CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022.
- 7.2 To optimise the performance of the Audit Committee and enhance the technical skills and expertise within the membership, through the addition of two formally appointed co-opted independent members.

### **Report**

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### **Implications**

#### **Financial**

- 1.1 It is usual practice for co-opted independent members to receive payment and reimbursement of expenses incurred when attending meetings. The Independent Remuneration Panel is scheduled to discuss the allowance payments on 5 December 2023.
- 1.2 The source of funding for the recruitment and appointment the two co-opted independent committee members is still to be determined.

#### **Legal**

- 2.1 Constitutional change to the Committee's composition to reflect the introduction of two co-opted independent members.

#### **Human Resources**

- 3.1 Recruitment to two co-opted independent member posts, roles to be graded and resourced in line with Council policies.

#### **Information Technology**

- 4.1 None

#### **Equalities Impact**

- 5.1 None

#### **Corporate objectives and priorities for change**

- 6.1 None

#### **Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

- 7.1 None

### **Role and Person Profile of Co-opted Independent Audit Committee Member**

#### **Purpose of the Role**

The Co-opted Independent Member will support the Audit Committee in its role to provide independent assurance to the members of the Council, and its wider citizens and stakeholders, on the adequacy of risk management arrangements, governance processes and internal control frameworks.

#### **Duties and Responsibilities of the Role**

The Co-opted Independent Member will be required to:

1. Actively participate in meetings of the Audit Committee, demonstrating independence, integrity, objectivity and impartiality in their approach.
2. Consider the issues before the Audit Committee, taking into account a full range of relevant factors, including legislation, regulation and professional guidance.
3. Promote effective risk management and internal control throughout the organisation, and to champion the work of the Internal Audit, External Audit and Risk Management functions.
4. Consider and offer constructive comment and challenge on reports presented to the Committee.
5. Participate fully in the discharge of all Audit Committee functions, as set out in the Committee's Terms of Reference and the Constitution.
6. To participate in periodic review of the overall effectiveness of the Audit Committee and of its Terms of Reference.
7. Comment on the Council's arrangements for anti-fraud and anti-corruption.
8. Assist in the review and monitoring of the effectiveness of the Council's arrangements for financial and treasury management.
9. To comment on Council policies and regulations relating to financial and treasury management, procurement and whistleblowing arrangements.



10. Adhere to all relevant Council policies and procedures including the Members Code of Conduct, declarations of interest etc.

## Person Profile

|                             | Essential   | Desirable  | Evidence |
|-----------------------------|---|--|----------|
| <b>Experience</b>           | <p>A working knowledge of the general or financial management of large organisations in the public, private or not-for-profit sector.</p> <p>Knowledge of, and experience in systems of internal control, governance arrangements and risk management.</p> <p>Knowledge and experience in matters of an audit nature.</p>   | <p>Experience of participation in Committee or Board Meetings.</p>   | A, I, T  |
| <b>Skills and Knowledge</b> | <p>Good working knowledge of the general or financial management of large organisations in the public, private or not-for-profit sector.</p> <p>Ability to analyse complex evidence and reach rational conclusions and make reasoned decisions.</p> <p>Strong strategic awareness and ability to identify emerging factors which may impact upon strategy, implementation</p> | <p>An understanding of the objectives, key activities, initiatives and significant issues relating to the Council.</p> <p>An understanding of the Council's structures and responsibilities, including key relationships with partners, businesses and organisations.</p> <p>Understanding of the complexity of issues surrounding audit</p> | A, I, T  |

|                               |  |   |         |
|-------------------------------|--|---|---------|
|                               | <p>of plans, or reputation with key stakeholders.</p> <p>Excellent communication and interpersonal skills, able to both empower and challenge supportively.</p>  | <p>and risk management in local government.</p> <p>Understanding of committee procedures.</p> |         |
| <b>Personal Effectiveness</b> | <p>An ability to understand complex issues and the importance of accountability and integrity in public life.</p> <p>An ability to demonstrate integrity and discretion.</p> <p>Be able to maintain strictest confidentiality of sensitive information.</p> <p>Able and willing to devote the necessary time to the role.</p> <p>Working to high behavioural standards, demonstrating honesty, objectivity, probity and the highest level of integrity in conduct.</p> | <p>An understanding of the local government environment.</p>                                  | A, I    |
| <b>Qualifications</b>         | <p>A suitable professional or management qualification in accountancy, internal audit, risk management or other relevant discipline.</p>   |   | A, I, D |

Assessed by: A = Application form I = Interview T = Test D = Documentary Evidence

## **Restrictions on Eligibility**

Individuals cannot be considered for appointment if they are:

- A Member, Co-opted Member, employee or consultant to the Council in any capacity, or have been an employee or Elected Member in the last five years.
- A Member, co-opted Member or officer of a parish, district or borough council in the area of the Council, or have been an employee or Elected Member in the last five years.
- Are aware of any potential conflict of interest that could arise in this role, including if you are closely related to, or are a close friend of, any Councillor or senior officer of the Council, or have a close connection to a Council supplier.
- Disqualified from holding office as a Member of the Council. Accordingly, any person who is recommended for appointment will be required to confirm that he/she is not disqualified.

Due to the non-political nature of the role and the requirement to work with elected representatives, it is preferred that candidates are not political party members.

## **Remuneration and Expenses**

Successful candidates will receive an annual remuneration and expense payments in line with the Council's approved Members Allowance Scheme.

## **Commitment**

Co-opted independent members will be appointed for an initial four-year period with the potential for this to be extended for a further four years.

Successful candidates will be expected to attend approximately six Committee meetings per year, which take place at County Hall, Matlock, Derbyshire DE4 3AG. They will also need to commit sufficient time to read Committee papers in advance of these meetings, liaise with the Chair and to undertake training alongside the other Committee members where required.

