

REPORT TO:	STANDARDS COMMITTEE
DATE:	1 November 2022
REPORT OF:	Sandra Stewart – Chief Executive
SUBJECT MATTER:	APPOINTMENT OF INDEPENDENT PERSON(S) TO THE AUDIT COMMITTEE
REPORT SUMMARY:	<p>To seek approval to appoint an independent person to the Audit Committee. Public Interest Audit Committees are a key component of corporate governance.</p> <p>The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently updated its position statement on audit committees in local authorities and police bodies in England and Wales, replacing the 2018 version. The 2022 statement, which has been endorsed by the Department for Levelling Up, Housing and Communities and the Home Office, sets out the 'purpose, model, core functions and membership of the audit committee'.</p> <p>One notable change compared to the 2018 edition is the removal of suggestions that audit committees undertake a wider role in supporting authorities, such as by reviewing treasury management arrangements or supporting the work of other committees. This addresses concerns raised in Sir Tony Redmond's 2020 Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting about the broad role of some local authority audit committees distracting them from their core financial oversight role and potentially creating conflicts of interest.</p> <p>The Redmond Review also recommended that local authorities appoint at least one independent member to audit committees to ensure they have the necessary expertise to carry out their role effectively. As a result, the Department instead asked CIPFA to develop strengthened guidance.</p> <p>The revised position statement builds on the previous statement, which suggested committees should have at least one independent member, to include an explicit statement that "CIPFA recommends that each authority audit committee should include at least two co-opted independent members".</p> <p>Tameside needs its Audit committee to be a fundamental cornerstone of the Authority's corporate governance framework. CIPFA's updated audit committee position statement focuses the remit of the audit committee to ensure that their core role of oversight of governance and accountability is protected. It will also ensure that audit committees are able to access the expertise they need to carry out their role effectively through the introduction of the requirement to include at least two co-opted independent members who complement the knowledge and experience of existing members.</p> <p>Research by Grant Thornton that found weaknesses in governance were a key contributory factor in several high-profile local government financial management failures. Other new recommendations to strengthen audit committees in the updated</p>

position statement include:

- Audit committee members should be trained to fulfil their role.
- Large committees should be avoided.
- The committees should support the maintenance of effective arrangements for financial reporting.

Audit committees play a critical role in providing challenge to council leadership, management teams and auditors on behalf of the public, and they will benefit significantly from the external expertise that independent members can bring.

They are a key source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. Independent members with appropriate skills and experience supplement those of the elected members and improve the effectiveness of the Audit Committee. The Independent Person would be a non-councillor with some experience in the area of audit, similar to those on the Council's Standards Committee. The Independent Person would have not a vote in the same way as councillors do at committee and will be there in an advisory consultative manner. Suitably qualified and experienced independent member(s) serving on Audit Committees can also bring specialist knowledge and insight to the workings and deliberations of the committee which, when partnered with elected members' knowledge of working practices and procedures, ensure:

- An effective independent assurance of the adequacy of the risk management framework.
- Independent review of the Authority's financial and non-financial performance.
- Independent challenge to and assurance over the Authority's internal control framework and wider governance processes.
- Oversight of the financial reporting process.

RECOMMENDATION(S)

Approve the appointment of two independent persons to sit on Audit Committee for a period of two years.

FINANCIAL IMPLICATIONS:
(Authorised by Borough Treasurer)

Any costs associated with the recruitment, selection, appointment and subsequent disbursements to any independent panel member would need to be contained from within existing revenue service budgets.

LEGAL IMPLICATIONS:
(Authorised by Borough Solicitor)

The Council's Audit 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.

RISK MANAGEMENT:

Subject to adequate vetting procedures and adherence to the Person Specification, this initiative should augment the Audit Committee's independence, provide additional expertise, and provide an opportunity for the community to play an enhanced

role in the governance of the Council. Council Plan Implications
The inclusion of independent members on the Audit Committee
could be seen to strengthen the role the community plays in the
internal control and governance of the authority

**LINKS TO COMMUNITY
PLAN:**

Support the current arrangements for ethical and corporate
governance of the Authority to ensure that the public can have
confidence in local government.

ACCESS TO INFORMATION

NON-CONFIDENTIAL

**This report does not contain information which warrants its
consideration in the absence of the Press or members of the
public**

REFERENCE DOCUMENTS:

The background papers relating to this report can be inspected
by contacting the report author, Sandra Stewart, Chief Executive
& Head of Paid Service:



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APPENDIX A

ROLE DESCRIPTION FOR INDEPENDENT PERSON INDEPENDENT PERSON OF AUDIT COMMITTEE

Role Description

1. To engage fully in collective consideration of the issues before the Audit 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 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 Committee, and of its terms of reference.
5. To ensure that the minutes of Audit Committee meetings accurately record decisions taken.

Independent Person of Audit Committee – Skills and Competencies Indicators:

1. Demonstrates up to date knowledge, skill and a depth of experience in the fields of audit, accounting, risk management and performance management.
2. Operates consistently and without bias.
3. Is an effective role model; supports appropriate behaviours and challenges opinions and advice where appropriate, separating major issues from minor ones.
4. Contributes proactive, proportionate and independent thought, and also collaboration with officers to temper the opinions of Committee members.
5. Works sensitively with people inside and outside committee.
6. Listens to and balances advice.

Audit Committee Person Specification for Independent Person Experience

Knowledge / experience in matters of an audit nature.

Knowledge / experience of risk management, performance management and financial governance.

Working to high behavioural standards, demonstrating honesty, probity and the highest level of integrity in conduct.

Experience gained working in a large, or public sector, organisation. Serving on a committee.

Skills Ability to weigh / sort complex evidence and reach rational conclusions, incorporating appropriate advice.

Ability to be objective, independent and impartial.

Ability to work in a group.

Ability to make reasoned decisions.

Strong strategic awareness and ability to identify emerging external factors that may impact on strategy, implementation of plans, or reputation with key stakeholders.

A good communicator with excellent interpersonal skills, able to both empower and challenge supportively.

Knowledge of the locality, and its communities.

Knowledge of the Council's strategic priorities and objectives, as set out in the Corporate Plan.

Understanding of the complexity of issues surrounding audit and risk management in local government.

Understanding of committee procedures.

Must not be a serving local government councillor.

Must have no personal, legal or contractual relationship with Tameside Council (including employees or members or former staff), or any other relationship / activity which might represent a conflict of interest.

Able and willing to devote the necessary time to the role.