

AUDIT COMMITTEE INDEPENDENT MEMBERS

Council - 22 February 2022

Report of: Deputy Chief Executive and Chief Officer - Finance and Trading

Status: For Decision

Executive Summary:

Within the Constitution of the Council, the Audit Committee may request the appointment of up to two additional co-opted non-voting members.

This has been discussed at two Audit Committee meetings and the Committee have requested that Council approve the appointment of these members.

The allowance proposed is similar to that offered by other Kent districts.

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Adrian Rowbotham, Ext. 7153

Recommendation to Council:

Approve the appointment of up to two additional co-opted non-voting members with an allowance of £800 per annum each.

Introduction and Background

- 1 Within the Constitution of Sevenoaks District Council (Part 6 - Audit Committee, section 2.3) is the following:
- 2 *'The Audit Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. Any co-opted members must have the necessary technical knowledge and skills to be of value to the business of the Committee.'*
- 3 The Audit Committee has never previously requested to take up this option but should give it consideration on a periodic basis.

Other Kent Councils

- 4 The following table shows whether the other thirteen Kent councils have independent members or not.
- 5 Nine councils have no independent members, two councils have one, one council has two and one council has four.

Council	Independent Members
Ashford	None
Canterbury	None
Dartford	None but currently being considered.
Dover	None
Folkestone & Hythe	One non-voting independent member. Allowance of £834 per annum.
Gravesham	None
Kent CC	One independent member since January 2020. Allowance of £1,500 per annum.
Maidstone	Two non-voting parish representatives, appointed by Council. Allowance of £350 each per annum.
Medway	None
Swale	None
Thanet	None
Tonbridge & Malling	None
Tunbridge Wells	Two independent members who do not have a vote. Allowance of £800 each per annum. There is a formal recruitment process for their appointment, they are for a four-year term which can be extended to a maximum of eight years. There are also two parish council representatives on the committee who cannot vote. Their allowance is also £800 each per annum.

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

- 6 The Local Audit and Accountability Act 2014 (the 2014 Act) introduced a new Audit regime for local government to replace the previous arrangements, under which the Audit Commission performed that role. This Review examined the effectiveness of local audit as now practised.
- 7 The purpose of the Review is to test not only the impact of external audit activity in local government but also to look, critically, at how this helps to demonstrate public accountability, particularly to service users and council taxpayers. In a similar context the brief of the Review extends to the issues of transparency in financial reporting of local authorities, with attention being directed towards whether the annual accounts and associated published financial information can be readily understood by the public.
- 8 The review was published in September 2020 and a link to the full review can be found in the background documents section of this report.
- 9 Most of the recommendations included in the review relate to external audit provision and the annual statement of accounts. However, the following recommendation relates to the Audit Committee:
- 10 The governance arrangements within local authorities be reviewed by local councils with the purpose of:
 - an annual report being submitted to Full Council by the external auditor;
 - **consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee;** and
 - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner (Grant Thornton) at least annually.
- 11 CIPFA also endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.

Audit Committee 15 July 2021

- 12 A report on Audit Committee Independent Members was presented to the Audit Committee on 15 July 2021. The minutes are as follows:

The Chief Officer Finance & Trading presented the report which detailed that within the Terms of Reference, the Committee is entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. The Redmond Review which was completed last year included a recommendation that consideration was given to the appointment of independent members to the Audit Committee and CIPFA also endorsed this approach.

Members discussed the value that an independent member could bring to the Committee, and whether other Councils had Independent Members. It was noted that an appointment from 2023 would be for a 4-year period. Some Members expressed concern for the length of the appointment and whether this could be reduced. Members discussed the need for more information before making a final decision and that consideration could be given for making a 1-year appointment in 2022 (to 2023) before the next election cycle.

Resolved: That Officers and the Chairman of Audit Committee continue to investigate the value of an Independent Member and a report be brought back to the meeting in January 2022.

Further Investigation

- 13 Following the Audit Committee on 15 July 2021 it was arranged for Cllr McGarvey (Chairman of the Audit Committee) to attend Audit Committees, or their equivalent, at other councils who currently have independent members.
- 14 Cllr McGarvey's thoughts are based on assessing the value-for-money and input of the independent members.
- 15 The independent members had a range of backgrounds including in IT, in banking and a retired engineer who had previously worked in finance in central government. The contributions made varied greatly including one who said absolutely nothing (it is not known what his contribution(s) might have been prior to the meeting) and one who was the most involving/involved of all members present. Their Committee was all the richer for his presence
- 16 Our Audit Committee could be enriched by appointment of an independent member if a recruit of high calibre could be found - with understanding of how local government functions and with expertise/experience in the fields that Audit covers; and displaying the confidence, interest and ability to add value. Finding the right candidate is key in deciding whether or not to do it.

Audit Committee 25 January 2022

- 17 An Update report was presented to the Audit Committee on 25 January 2022. The minutes are as follows:

The Deputy Chief Executive and Chief Officer - Finance and Trading presented the reported which updated Members on the investigatory work carried out by the Chairman of Audit Committee for the consideration of appointing Independent Members to the Audit Committee.

Members discussed the report, noting that that any appointment should be given to candidates that have the necessary technical knowledge and skills

to be of value to the business of the Committee. Members also discussed remuneration of the posts.

Resolved: That it be recommended to Council that up to two additional co-opted non-voting members be appointed, at a rate similar to other Kent Districts, which may be reviewed after 1 year. The Committee were also supportive of working with Dartford BC on joint appointments.

- 18 Dartford Borough Council are also currently considering whether to appoint independent members to their Audit Board.
- 19 Audit Committee Members discussed the benefits of a joint recruitment approach with Dartford BC and sharing independent members and were supportive of this approach.
- 20 The level of allowance for the roles was also discussed and the general view was that it should be similar to that offered by other Kent districts at £800 per annum. Dartford BC are likely to offer a similar allowance.

Process for the Appointment of Independent Member/s

- 21 If Members of the Audit Committee wish to request an independent member or members join the Committee, they are required to make a recommendation to Council.
- 22 If Council are supportive, the Deputy Chief Executive and Chief Officer - Finance and Trading be authorised to advertise for co-opted non-voting member/s of the Audit Committee.
- 23 Also, the Deputy Chief Executive and Chief Officer - Finance and Trading in consultation with the Chairman of the Audit Committee be authorised to form a panel to interview candidates, such interview to be designed to test that candidates have the necessary technical knowledge and skills to be of value to the business of the Committee.
- 24 Any appointment would run until May 2023. Subject to review by Audit Committee, the role of Independent Member(s) would subsequently be renewed for 4-year terms thereafter, subject to appointment or re-appointment of suitable candidate(s).

Key Implications

Financial

There is currently no specific budget for Independent Audit Committee Member Allowances and any additional allowance would be required to be approved by Council.

The allowances paid by other Kent councils are included in the table in the report. For information the allowances paid to the independent persons in the Standards Committee are currently £493 per annum.

Legal Implications and Risk Assessment Statement

The legal implications are as set out in the report. Please note that Part 6 of the Constitution (as set out above) permits the Audit Committee to recommend the appointment of up to two additional co-opted non-voting members. Any such recommendation will be referred to the next meeting of Full Council for a final decision.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Appendices

None

Background Papers

Audit Committee Independent Members report - Audit Committee 15 July 2021

Audit Committee Independent Members - Update - Audit Committee 25 January 2022

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

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading