

# East Herts Council Report

## Council

**Date of meeting:** Wednesday 17 May 2023

**Report by:** James Ellis, Head of Legal and Democratic Services

**Report title:** Independent Members of the Audit and Governance Committee

**Ward(s) affected:** All

**Summary** – This report provides Members with information on the appointment of two independent people to the Audit and Governance Committee as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA)

## **RECOMMENDATIONS FOR COUNCIL:**

- a) the appointment of two independent people (known as independent members) to sit on the Audit and Governance Committee for a period of four years, with a possible extension of a further six months to align to the municipal year be approved.**
- b) the job advert and job pack as at Appendix A and Appendix B be approved.**

## **1.0 Proposal(s)**

- 1.1 As above. There are no alternative options as the Government has mandated that at least one independent member must sit on the Audit Committee.

## **2.0 Background**

- 2.1 The Audit and Governance Committee plays a key role in the Council's arrangements to support good governance. It has the specific role of monitoring the Budget, approving the council's Statement of Accounts and acting as the council's audit committee. The Committee also carries out the monitoring of treasury management functions.
- 2.2 The Committee meets approximately four times a year, with meetings held in person in the Council Chamber at East Herts Council's Wallfields Offices in Hertford, commencing at 7pm.

## **3.0 Reasons**

- 3.1 The 2020 independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities<sup>1</sup> recommended that consideration should be given to the appointment of at least one independent member, suitably qualified, to audit committees.
- 3.2 In its response to the Redmond Review in June 2022, the Government announced that local authorities would be

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<sup>1</sup> [Redmond Review](#)

required to have an audit committee with at least one independent member. Their response in full was:

*“Fundamentally, it is important that councils, as with other public bodies, have appropriate measures in place: the government considers it proportionate to establish a simple principle that local authorities should have an audit committee, with at least one independent member.”*

3.3 Following the Redmond Review, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance<sup>2</sup> recommending that local authority and police audit committees include at least two independent members.

3.4 The Independent people would be non-councillors with some experience in the area of audit, similar to those who sit on the Council’s Standards Committee. The independent people would be non-voting members of the committee and will be there in an advisory consultative manner. Suitably qualified and experienced independent members 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.

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<sup>2</sup> [CIPFA for independent local authority audit committee members](#) | ICAEW

- Independent challenge to and assurance over the Authority's internal control framework and wider governance processes.
- Oversight of the financial reporting process.

3.5 The appointment of independent members on the committee will assist and promote good governance and scrutiny of the committee. 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.

3.6 It is recommended that recruitment be on a competitive basis following the Council's rules and procedures, including an open advertisement and interviews, as currently undertaken for independent members of the Standards Committee. Reasonable travel and other expenses will be paid to the person concerned.

#### **4.0 Options**

4.1 Members are invited to approve the recommendation to appoint two independent members to the Audit and Governance Committee. This would follow the recommendations of the Redmond Review and CIPFA.

4.2 Members could choose not to approve the recommendation to appoint two independent members to the Audit and Governance Committee - This is not recommended and would result in the council not following the requirements and guidance of both the Redmond Review and CIPFA.

## **5.0 Risks**

- 5.1 The timely appointment of independent members to the Audit and Governance Committee will reduce the risks associated with the absence of independent challenge and oversight.

## **6.0 Implications/Consultations**

- 6.1 Leadership Team were consulted on the draft Independent Members of the Audit and Governance Committee report on 14 March 2023. The Audit and Governance Committee recommended to Council the appointment of two independent members on 12 April 2023.

### **Community Safety**

No

### **Data Protection**

No

### **Equalities**

Yes

### **Environmental Sustainability**

No

### **Financial**

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

It is recommended that remuneration for the independent members is in line with that which is paid to the independent member of the

Standards Committee. This is currently £2,500 pa, paid in monthly instalments plus expenses.

### **Health and Safety**

No

### **Human Resources**

Appointments will be made in line with Human Resources recruitment and retention policies and best practice.

### **Human Rights**

No

### **Legal**

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.

### **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

- 7.1 Appendix A – Job Pack - Independent Members of the Audit Committee.
- 7.2 Appendix B – Job Advert -Independent Members of the Audit Committee.

### **Contact Member**

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