

Membership of the Audit & Accounts Committee

To: Audit & Accounts Committee

Meeting Date: 22 July 2022

From: Director of Resources & Chief Finance Officer

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: Co-opting independent appointees to the membership of this Committee could be supportive to the Committee's function of providing objective assurance to the Members of Cambridgeshire County Council, and its wider citizens and stakeholders, on the adequacy of the risk management framework, the internal control environment and the financial and service performance of the Council.

Recommendation: The Committee is invited to

- a) Support the co-option of two independent (apolitical) persons to this Committee, in accordance with proposal in this report;
- b) Delegate to the Section 151 Officer and Monitoring Officer, in consultation with the Chair and Vice Chair of this Committee, authority to agree a detailed specification for the role and invite applications, taking account of any matters decided by Full Council, in due course.

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1. Background

- 1.1 Part 3B of the Council's Constitution permits the Audit & Accounts Committee to appoint up to three people as non-voting co-opted members of the Committee. The Committee is to determine whether the appointments are for a specified period or for specific meetings or items. The co-opted person must have particular knowledge or expertise of the functions of the Committee and cannot be a member of any political party. To date, this provision of the Constitution has not been utilised.
- 1.2 The *CIPFA Position Statement on Audit Committees in Local Authorities and Police* represents professional advice to Councils on the role and functioning of effective audit committees. Although this is not statutory guidance with legislative force, it is helpful for the County Council to consider the statement and have regard to the advice. CIPFA state that effective Audit Committees are characterised by, amongst other things, a membership which is representative of the Council politically but which acts with balance, objectivity, independence of mind and with effective training and expertise. CIPFA recommend committees include an independent (or apolitical) member. Research by the National Audit Office in 2019 found that, at that time, 32.7% of local authorities' audit committees included at least one independent (apolitical) member.
- 1.3 As part of the response to Sir Tony Redmond's independent national review of the arrangements for local audit, on 31 May 2022, the *Department for Levelling Up, Housing & Communities* announced that it will legislate to make audit committees compulsory for all Councils and it will also require that at least one independent member be appointed to each audit committee. Although this reform is subject to the proviso "when parliamentary time allows", and there have been ministerial changes since 31 May 2022, it is a timely prompt for the County Council to consider activating the constitutional clause for the appointment of co-opted independent Members.
- 1.4 The Audit & Accounts Committee is charged with providing independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and governance processes. The Committee's role includes overseeing both internal and external audit and approving the statutory financial statements on behalf of the authority. This is a busy, sometimes technical, remit, especially where the Council faces additional complexity to best serve our residents, and in order to deliver our strategic vision of a greener, fairer more caring Cambridgeshire, at pace.

2. Proposal

- 2.1 One year after the committee reforms introduced by the incoming joint administration, as well as subsequent to the outcomes of the LGA Peer Challenge follow-up and arrival of a new Head of Paid Service in 2022, the Council has commissioned a review by the Centre for Governance and Scrutiny (CfGS). This review includes the functioning of the Audit & Accounts Committee, and is due to report in late August. This is the last scheduled meeting of this Committee during the review stage. There is therefore an opportunity to signal this committee's intentions around co-opting independent member(s), utilising the existing constitutional clause.

- 2.2 Any constitutional changes arising from the CfGS review will be matters for the Constitution and Ethics Committee, and thereafter Full Council, to consider and decide. To aid these considerations and to signal this Committee's position, a suggested addition to the terms of reference of this Committee is included at appendix 1 for discussion.
- 2.3 Professional guidance, and informal feedback from elsewhere in the sector, where co-options have already been made, suggests that independent members can bring valuable benefits to Audit Committees. They bring alternative perspectives and expertise, can interact with technical information to challenge and support officers and auditors in different ways and are detached from the Council's executive and scrutiny functions, party politics and constituency concerns.
- 2.4 It is proposed that the Committee now seeks to co-opt two independent (apolitical) members. This will position the Council well to comply with any future legislative changes and to meet the aspirations of the CIPFA Position Statement; above all it should be a valuable addition to our governance arrangements. Two rather than one co-options are proposed in the first instance in order to provide resilience in case of the absence of a single independent (apolitical) member and with a view to the breadth of expertise that multiple co-options might allow.
- 2.5 Often this Committee seeks to decide matters through consensus and without dividing to vote, and according to current constitutional provisions, co-opted Members would not be entitled to vote at Committee. There are mixed approaches in other Councils. One view is that this is appropriate to reflect that Members are ultimately accountable for the decisions of the Authority and to avoid interruption of proportionality requirements. The counter argument is that co-opted Members should feel fully empowered and part of the Committee. Whilst any national legislation is awaited, it is suggested that independent members join the Committee on a non-voting basis. It is open to Full Council to revise the constitution on this point in future. It is also proposed that appointments should be for four years in the first instance, with an absolute term limit of eight years.
- 2.6 The Council would engage in an open advertised recruitment process in order to fill the roles, with a final recommendation to the Committee being made by a panel comprising the Chair, Vice-Chair and an Opposition Member, advised by chief officers. An outline of a person specification for this role is shown in appendix 2. This would be further refined and agreed with the Chair / Vice Chair under delegation, were a recruitment to proceed.
- 2.7 As it currently stands the constitution permits that only reasonable expenses be reimbursed for co-opted Members (of any committee) and no remuneration would be payable. There are varied approaches nationally and some authorities have advertised similar roles as voluntary, whereas other Councils, including geographical neighbours, pay an allowance or honorarium of £500 - £1500 per annum plus expenses. Although a significant aspect of the role should be regarded as *pro bono*, acting in the interests of local taxpayers, there may be merit in considering a comparable allowance to those seen elsewhere, especially if a number of authorities prepare for the upcoming legislative changes with similar recruitments. The County Council has not previously co-opted on to this Committee, and given the time commitment and expertise required it is posited that an annual allowance of £1500 would be appropriate in this case. If there is support in the Committee for this approach, Full Council could agree the constitutional amendment necessary to enable advertisement in the early Autumn, or alternatively the Independent Remuneration Panel

could give the matter broader consideration later in 2022 at their existing scheduled review point for review of allowances for Policy and Service Committee Chairs and Vice-Chairs.

3. Significant Implications

3.1 Resource Implications

There are minor resource implications arising from this report, referred to in section 2.7. The financial impact would be contained within existing budgets.

3.2 Procurement/Contractual/Council Contract Procedure Rules Implications

No significant implications

3.3 Statutory, Legal and Risk Implications

Commentary on the statutory position is included at section 1.2

The addition of co-opted Members to the Committee could support the Council's risk management overview.

3.4 Equality and Diversity Implications

No significant implications

3.5 Engagement and Communications Implications

No significant implications

3.6 Localism and Local Member Involvement

No significant implications

3.7 Public Health Implications

No significant implications

3.8 Environment and Climate Change Implications on Priority Areas

No significant implications

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: S Howarth

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer? Yes

Name of Legal Officer: F McMillan

4. Source documents

4.1 [CIPFA's Position Statement](#)

[2022 Role Specification – Independent Audit Committee Member – Peterborough City Council](#)

Appendix 1 – *Draft additional text for inclusion in the Committee's terms of reference*

Independent Members of Audit and Accounts Committee

The Audit and Accounts Committee will include up to three independent co-opted non-voting members sitting alongside elected members. Independent members will be appointed by the Committee to serve an initial 4-year term, which may be extended with the agreement of the Committee up to a maximum of 8 years.

The role of an Independent Member is to support the Council's Audit and Accounts Committee in its role to provide independent assurance to the members of Cambridgeshire County Council, and its wider citizens and stakeholders.

Independent members will be expected to actively participate in meetings of the Audit and Accounts Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit and Accounts Committee report.

Independent members will contribute to the work of the Audit and Accounts Committee in its role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.

Appendix 2 - Independent Person of the Audit and Governance Committee Role Description

1. To engage fully in collective consideration of the issues considered by the Audit and Accounts Committee, taking into account a full range of relevant factors, including legislation and supporting regulations, 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 the committee's functions, as set out in the 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 committee, and of its terms of reference.
5. To ensure that the minutes of Audit Committee meetings accurately record decisions taken.

Skills, Competencies, Person Specification

1. Demonstrates up to date knowledge, skills, and a depth of experience in the fields of audit, accounting, risk management and performance management. Experience gained working in a large, or public sector, organisation.
2. Knowledge of the Council's strategic priorities and objectives. Understanding of the complexity of issues surrounding audit and risk management in local government.
3. Works to high behavioural standards, demonstrating honesty, probity, and the highest level of integrity in conduct.
4. Operates consistently and without bias.
5. Is an effective role model; supports appropriate behaviours and challenges opinions and advice where appropriate, separating major issues from minor ones.
6. Contributes proactive, proportionate and independent thought, and also collaboration with officers to assist committee members.
7. Works sensitively with people inside and outside committee.
8. Listens to and balances advice.
9. Must not be a serving local government officer or councillor.
10. Must have no personal, legal or contractual relationship with Cambridgeshire County Council (including employees or Members or former staff), or any other relationship / activity which might represent a conflict of interest.
11. Able and willing to devote the necessary time to the role.