



AUDIT & SCRUTINY COMMITTEE

26 September 2023

REPORT TITLE:	Appointment of an Independent Person for the Audit function
REPORT OF:	Tim Willis, Interim Resources Director

REPORT SUMMARY

This report recommends to Council that an Independent Person (IP) is appointed to the Council's Audit & Scrutiny Committee (for audit business), in line with best practice.

RECOMMENDATIONS

It is proposed that the Committee recommends to Council that an Independent Person is appointed for the Council's audit functions, which form part of the business of Audit & Scrutiny Committee.

It is further proposed that the recruitment of the Independent Person is delegated to the Interim Director of Resources in consultation with the Chair of Audit & Scrutiny Committee.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 The Government response in June 2022 to the Local Audit Framework: Technical Consultation set out plans to strengthen local audit framework in light of the Redmond Review. It confirmed that when parliamentary time allows, audit committees will be made compulsory for all local councils, with at least one independent member required on each committee. This follows the CIPFA detailed guidance on the function and operation of audit Committees in Local Authorities which endorsed the approach of mandatory inclusion of a lay or independent member and recommended that, for authorities for whom it is not a requirement at present, they actively explore the appointment of an independent member to the Committee. Ahead of any legislative requirement being implemented, it is recommended that the Council's Audit & Scrutiny Committee therefore takes steps to introduce an Independent Person onto the committee (subject to Council agreement) so that an appropriate person can be recruited as soon as is practicable.

2.0 OTHER OPTIONS CONSIDERED

2.1 The Council could choose not to appoint an IP. However, it is good practice to do so, and it is possible that it will be a requirement of audit committees in future.

3.0 BACKGROUND INFORMATION

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced detailed guidance on the function and operation of audit committees in Local Authorities. This represents best practice for audit committees in Local Authorities throughout the UK and incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018). The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and highlights that audit committees are a key component of an authority's governance framework.

3.2 Guidance stipulates that the purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes, but that the way in which an audit committee is organised varies depending on the specific political and management arrangements in place.

3.3 It is important that Members of the Committee have a mix of skills and experience in relation to financial matters, assurance and governance; in this respect it is recommended that particular consideration is given to introducing an IP, with a specific finance/audit or governance background to bring support to the independent challenge of the Council's arrangements.

3.4 The introduction of independent members can be beneficial to the audit committee in many ways, including:

- Ensuring a mix of skills and experience in relation to financial matters, assurance and governance.
- Bringing additional knowledge and experience to the Committee.
- An injection of an external view can often bring a new approach to committee discussions.
- Reinforcing the political neutrality and independence of the Committee.
- Maintain continuity of committee membership where membership is affected by the electoral cycle.

3.5 The Council's Audit Committee has delegated authority to make decisions by the Council, upon which the independent member would not have voting rights. The Committee does have an advisory role as well, upon which the independent member could vote. It is however, recommended that the IP be appointed without any voting rights initially, in order to avoid any confusion. The position shall be subject to review in due course to ensure that the arrangements are appropriate and effective.

3.6 Brentwood operates an Audit & Scrutiny Committee, which whilst not unique, is unusual. The combination of two discrete functions in one committee has been relatively invisible and seamless to date, but going forward, it will be necessary for the IP to be present only for business that relates to the committee's "audit" function. This would mean, for example, two parts to each agenda, whereby the IP sat on the Committee and played an active part for the "audit" component, but not the "scrutiny" component – although the IP could theoretically choose to be present for non-exempt scrutiny business as a member of the public.

3.7 A draft role description is attached, which sets out the responsibilities of the IP, together with the relevant knowledge and experience required. If approved, the vacancy will be publicly advertised and candidates will be required to demonstrate their political independence and suitability for the role. This would be assessed as part of a formal recruitment process. The Council may only appoint someone who makes a formal application. It is recommended that Council delegates the recruitment of the IP to the Interim Director of Resources, in consultation with the Chair of Audit & Scrutiny Committee. The appointment would be for a term of two years, with the option to be extended for a further two years, in line with recommendations from the Committee on Standards in Public Life. While operating as a member of the Audit Committee, the IP would be required to follow the same Code of Conduct as elected Members, with the requirement to complete the Register of Interests. The Local Authority (Members' Allowances) (England) Regulations 2003 provide for the Council to pay an allowance to co-optees. It is proposed that the role attracts an allowance of £1,250 per annum which is commensurate with other similar local authorities.

4.0 FINANCIAL IMPLICATIONS

4.1 A member allowance of £1,250 p.a. would be incurred if agreed.

5.0 LEGAL IMPLICATIONS

5.1 None.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 None.

7.0 RELEVANT RISKS

7.1 There is a risk that if the Council does not act now to implement recommended best practice it will have to act quickly once the legislation is enacted. There is a risk that without an IP the Audit Committee will not have the right mix of skills and experience in relation to financial/audit matters, assurance and governance to fulfil its duties to the highest possible standard.

8.0 ENGAGEMENT/CONSULTATION

8.1 None.

9.0 EQUALITY IMPLICATIONS

9.1 None.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 None.

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BRENTWOOD BOROUGH COUNCIL
INDEPENDENT PERSON: ROLE DESCRIPTION

The Audit function of the Audit & Scrutiny Committee (“the Committee”) is a crucial mechanism for supporting the Council in ensuring that there are effective processes in place for governance, internal control and risk management. As an Independent Person (or Independent Member) of the Committee you will provide insight and strong constructive challenge.

Role and Responsibilities of the Audit function of the Audit & Scrutiny Committee

The Committee provides advice to the Council and its committees on the effectiveness of the arrangements for the proper administration of the Council’s financial affairs, including all relevant strategies and plans.

Its responsibilities are:

- To approve the Annual Internal Audit risk based plan of work.
- To consider the Head of Internal Audit’s annual report and opinion, and a summary of Internal Audit activity and the level of assurance it can give regarding the Council’s corporate governance, risk management and internal control arrangements.
- To consider regular progress reports from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
- To consider the External Auditor’s annual letter, relevant reports, and the report to those charged with governance.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider the arrangements for the appointment of the Council’s Internal and External Auditors.
- To review any issue referred to it by a Statutory Officer of the Council or any Council body.
- To monitor the effective development and operation of risk management and corporate governance in the Council.
- To monitor Council policies and strategies on an Annual basis, including:
 - Whistleblowing
 - Money Laundering
 - Anti-Fraud and Corruption
 - Insurance and Risk Management
 - Emergency Planning and Business Continuity.
- To monitor the corporate complaints process.
- To consider the Council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- To consider the Council’s compliance with its own and other published standards and controls.
- To monitor the Council’s processes in relation to Freedom of Information and Member Enquires.
- To monitor the Council’s data quality arrangements.
- To monitor the Council’s Member’s training arrangements.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- To review the Council's Annual Governance Statement.
- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Person Specification

1. Uphold the highest ethical standards of integrity and honesty, and be able to demonstrate an understanding of, and commitment to the values and importance of the Seven Principles of Public Life.
2. Ability to be objective, independent and impartial.
3. Ability to make clear and reasoned decisions. Analytical skills including the ability to weigh / sort complex evidence and reach rational conclusions, incorporating appropriate advice.
4. A good communicator with excellent leadership and interpersonal skills, able to both empower and challenge supportively.
5. Ability to appropriately challenge and hold to account Council officers and representatives of internal and external audit.
6. Demonstrable skills, knowledge and experience relevant to the work of the Committee including accounting/audit, risk management, governance, internal/external audit.
7. Experience of working with audit/risk committees in a large or complex delivery organisation in either the public or private sectors.
8. Good grasp of relevant legislation, including the Accounts and Audit Regulations, Freedom of Information, Data Protection.
9. Knowledge of the challenges facing Brentwood Council and wider public services and understanding of its communities.
10. Knowledge of the major functions of Brentwood Council and its vision and priorities.
11. Membership of a recognised UK accounting or auditing institute.