

<b>AUDIT COMMITTEES AND CO-OPTED INDEPENDENT MEMBERS</b>	
<b>Executive Summary</b>	A Position Statement has been issued by the Chartered Institute of Public Finance and Accountancy ["CIPFA"]. It contains a number of recommendations including that local authorities include at least two co-opted independent Members on their audit committees. This is not presently a statutory requirement, but is anticipated that it will be in the future. This report considers the guidance and whether the Council wishes to commence a recruitment process in this regard. The Position Statement further recommends that there should be annual public reporting of compliance with the CIPFA Position Statement at <b>Appendix A</b> .
<b>Options considered</b>	<ul style="list-style-type: none"> <li>• Appoint 2 independent Members to the Governance Risk and Audit Committee ["GRAC"] for a 3 year period</li> <li>• Appoint 1 independent Member to GRAC for a 3 year period</li> <li>• Continue with the status quo: not appointing any independent Member at this time</li> </ul>
<b>Consultation(s)</b>	Chief Finance Officer; CLT, internal audit
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. <b>To recommend to Full Council that 2 co-opted independent Members be appointed to the Governance Risk and Audit Committee ["GRAC"], for a 3 year period. Delegated authority be given to the Monitoring Officer, in consultation with the Chairman of GRAC, to undertake recruitment arrangements.</b></li> <li>2. <b>That GRAC reports annually on how the Committee has complied with the CIPFA Position Statement [2022], to include</b> <ul style="list-style-type: none"> <li>• <b>how it has discharged its responsibilities,</b></li> <li>• <b>an assessment of its performance</b></li> </ul> <b>and that such report be made available to the public.</b> </li> </ol>
<b>Reasons for recommendations</b>	<p>To comply with the recent CIPFA Position Statement that:</p> <ol style="list-style-type: none"> <li>1. <i>"where there is no legislative direction to include co-opted independent members [to a Council's Audit Committee], CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise."</i></li> <li>2. Further, the Position Statement outlines that, to discharge its responsibilities effectively, the Committee should provide an annual report as to compliance with the CIPFA Position Statement [2022], attached at Appendix A.</li> </ol>

<b>Background papers</b>	<a href="https://www.cipfa.org/-/media/Files/Services/Support-for-audit-committees/CIPFA-Audit-Committee-Position-Statement-2022.pdf">https://www.cipfa.org/-/media/Files/Services/Support-for-audit-committees/CIPFA-Audit-Committee-Position-Statement-2022.pdf</a> This CIPFA guidance note is produced at Appendix A
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<b>Wards affected</b>	All wards
<b>Cabinet member(s)</b>	Cllr Adams & Cllr Shires
<b>Contact Officer</b>	Cara Jordan <a href="mailto:Cara.jordan@north-norfolk.gov.uk">Cara.jordan@north-norfolk.gov.uk</a> Tel: 01263 516373

<b>Links to key documents:</b>	
Corporate Plan:	A Strong, Responsible and Accountable Council Effective and efficient delivery <ul style="list-style-type: none"> <li>• Managing our finances and contracts robustly to ensure best value for money</li> <li>• Ensuring that strong governance is at the heart of all we do</li> </ul>
Medium Term Financial Strategy (MTFS)	N/A
Council Policies & Strategies	(CIPFA guidance detailed above)

<b>Corporate Governance:</b>	
Is this a key decision	No
Has the public interest test been applied	Public report
Details of any previous decision(s) on this matter	None

## 1. Purpose of the report

- 1.1 To report and consider the revised Chartered Institute of Public Finance and Accountancy ["CIPFA"] guidance **[Appendix A]** that 2 co-opted Members should be included on the Audit Committee of a Local Authority.

## 2. Introduction & Background

- 2.1 North Norfolk District Council's Audit Committee is called the Governance Risk and Audit Committee ["GRAC"]. It meets quarterly and its terms of reference are set out in the Council's Constitution. GRAC is a key component of

governance, providing an independent and high-level focus on the adequacy of governance, risk and control arrangements.

- 2.2 GRAC comprises a membership of 6 Members, appointed in accordance with political proportionality. There are presently no co-opted independent Members.
- 2.3 In 2019 The Redmond Review recommended that local authorities appoint at least one independent Member to audit committees to ensure that such committees have the necessary expertise to carry out their role effectively. This recommendation has subsequently been considered by CIPFA, which, in May 2022, set out its view in a Position Statement, that each authority audit committee should include at least two co-opted independent Members to provide appropriate technical expertise.
- 2.4 Neither the recommendation of the Redmond Review, nor the Position Statement of CIPFA compel the Council to act. There is no statutory requirement to act on the recommendation. However, the Position Statement represents CIPFA's view on appropriate practice and principles that local government bodies in the UK should adopt and was prepared in consultation with sector representatives. Whilst not a legal requirement, the statement may be considered as best practice, and is supported by the Department for Levelling Up, Housing and Communities. Some other Local Authorities have made/or are making arrangements to appoint one or more independent Members to their Audit Committees.
- 2.5 The Position Statement also sets out CIPFA's view that Audit Committees should report annually and publically on its compliance with this Statement.

### **3. Proposals and Options**

- 3.1 CIPFA expects all local government bodies to engage best efforts to adopt the principles set out in its Position Statement. It details that doing so will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 3.2 To comply with this expectation, the Council would need to commence a recruitment process to appoint suitable persons to undertake this role. Whilst there are no set criteria for such an appointment, such a person would most likely need to have a knowledge/understanding of financial management, internal auditing and risk management to meet the purpose of the role, and ideally have an accountancy qualification.
- 3.3 As with the Independent Person to the Standards Committee, such an appointment needs to demonstrate independence and so could not be a Member or officer of the Council. Further, a specified tenure of a maximum of 3-4 years should be implemented for this reason.
- 3.4 Remuneration, possibly in line with Members of the Committee, would need to be set, and reasonable expenses paid for this role.
- 3.5 If looking to appoint one or more independent Members a suitable recruitment process would need to be undertaken. In 2022 there was a recruitment process

for Independent Persons for the Standards Committee. A similar process could take place with an interview Panel comprising of a suitable officer and a cross party Panel of three Members.

- 3.6 Some Local Authorities are just recruiting one independent Member at this time. This is an option as it is not currently a statutory requirement to make any such appointment. Similarly, it is also possible to choose not to recruit any independent Members at this time as there is no legal obligation to do so. Any independent Member appointed would not hold voting rights on the Committee.

#### 4. Corporate Priorities

##### 4.1 A Strong, Responsible and Accountable Council

- Effective and efficient delivery
- Managing our finances and contracts robustly to ensure best value for money
- Ensuring that strong governance is at the heart of all we do

#### 5. Financial and Resource Implications

##### Comments from the S151 Officer:

*The S151 Officer (or member of the Finance team on their behalf) will complete this section.*

#### 6. Legal Implications

##### Comments from the Monitoring Officer

*The Monitoring Officer (or member of the Legal team on behalf of the MO) will complete this section.*

There is no legal requirement, at this time, to have one or more independent Members of GRAC.

However, CIPFA has provided a Position Statement which sets out its expectation that Councils comply with the principles of its guidance contained therein as it will enable compliance with statutory responsibilities for governance, internal control arrangements, financial reporting and internal audit.

Remuneration and reasonable expenses would be payable for 4 meetings per annum and any identified additional work involved.

It may be possible, depending upon the position of neighbouring authorities wishing to appoint, to investigate a pooling arrangement or staggered appointments, but not to the extent that this would delay cause delay.

#### 7. Risks

There is a risk in not appointing any independent Member – CIPFA considers that appointing independent Members would enable the Council to meet its governance responsibilities and so failure to appoint may leave the Council at risk of failing to meet and deliver these responsibilities

**8. Net Zero Target**

There is no particular Net Zero implication at this time.

**9. Equality, Diversity & Inclusion**

Any recruitment process would be in line with our responsibilities under the Equality Act.

**10. Community Safety issues**

None identified

**11. Conclusion and Recommendations**

**11.1 CIPFA's Position Statement**

Whilst not a legal obligation, CIPFA's Position Statement expects Councils to have an Audit Committee with at least two independent Members to enable it to meet its responsibilities for governance and financial control. The Redmond Review, which preceded the Position Statement, recommended the appointment of at least one independent Member to ensure that Audit Committees had the necessary expertise to carry out their role effectively. Such appointments should, therefore, bring in the necessary skills and knowledge to complement those of the Committee.

**11.2 Annual Reporting**

The CIPFA Position Statement also expects that Councils report annually on their compliance with the Statement and that this should be a public report.

**11.3 Recommendations**

- 1. To recommend to Full Council that 2 co-opted independent Members be appointed to the Governance Risk and Finance Committee ["GRAC"], for a 3 year period. Delegated authority be given to the Monitoring Officer, in consultation with the Chairman of GRAC, to undertake recruitment arrangements.**
- 2. That GRAC reports annually on how it has complied with the CIPFA Position Statement [2022], to include**
  - how it has discharged its responsibilities,**
  - an assessment of its performance****and that such report be made available to the public.**