

Potential role for independent members on the Audit Committee.

AUDIT COMMITTEE

Date: 24th June 2008

Author: Group Director Business Transformation

Wards Affected: None

Purpose

To consider a recommendation to Council regarding the appointment of independent members to the Council's Audit Committee.

Recommendation

- Members make a recommendation to Council as to whether they support independent members being co-opted on to the Council's Audit Committee.
- If Members wish to appoint independent members they recommend:
 - how many independent members to appoint
 - their role within the Committee i.e. Chair etc.
 - their term of appointment(s)
 - their remuneration
 - the appointment process including qualifications/experience required

1 Reasons

1.1 At the Committee's meeting on 25th January 2006 Members agreed a revised set of terms of reference to reflect new guidance and best practice. Part of that report commented on the possible use of independent members on the Audit Committee. At that time Members agreed that 'a decision on a potential role for independent members on the Audit Committee be deferred for one year, to allow the new enhanced role of the Committee time to become established'.

1.2 Therefore, as requested, a report was taken back to Audit Committee in June 2007. Members agreed at that meeting that an advert for up to two independent members (not Chair) of the Committee should be placed. Unfortunately the advert proved unsuccessful in that only one application was received and after interview he decided to turn down the offer of appointment.

1.3 Members are therefore asked to consider whether they wish to re-advertise the post and if so:

- how many independent members to appoint
- their role within the Committee i.e. Chair etc.
- their term of appointment(s)
- their remuneration
- the appointment process including qualifications/experience required

Potential role for independent members on the Audit Committee.

AUDIT COMMITTEE

Date: 24th June 2008

2 Detail

Background

- 2.1 At the time of the original report (January 2006) External Audit had recommended that the appointment of independent lay members be considered to strengthen the independence of the Audit Committee and add additional independent experience and expertise. It is also considered that the presence of an independent person (s) gives additional assurance to the public on the control arrangement operating within the council and complied with best practice.

Role of independent members

- 2.2 Independent lay members if appointed to the Audit Committee would not have voting rights in accordance with Section 13 of the Local Government and Housing Act 1989. It has been suggested that an Independent person should chair the Audit Committee. In the absence of voting rights, however, Members are asked to consider specifically whether it would be appropriate for an independent member to chair the Committee either at the outset or whether this issue should be looked at again in 12 months time, with the benefit of having an independent member(s) being involved in the work of the Committee.
- 2.3 A suggested job description and person specification for an independent member is attached as appendix 1. This is taken from 'A toolkit for Local Authority Audit Committees that has been previously circulated to Members. These will need to be tailored to the Council's requirements but sets out the expected experience, skills, knowledge and commitment required from potential candidates along with the principal responsibilities of the role.

Appointment Process

- 2.4 If Members recommend the appointment of independent members it is recommended that the Director of Law and Democratic Services and Head of Internal Audit compile an application pack including advert, job description etc. for interested parties.
- 2.5 It is recommended that any selection panel would be drawn from the following, or their nominees: the Leader of the Council; Chief Executive (or his nominee); the Chair of the Council's Standards Committee; Director of Finance; representative members of other political groups.
- 2.6 Members would need to consider the number of independent members to appoint and at this stage it is suggested that two members be appointed and that their terms of appointment would be for two and four years in order to give continuity to the role.

Potential role for independent members on the Audit Committee.

AUDIT COMMITTEE

Date: 24th June 2008

2.7 Independent members would be entitled to travelling and subsistence expenses. However, Members would need to consider whether any remuneration be given for undertaking these roles and if so this would need to be considered by the Independent Remuneration Panel.

Alternative Options

It is open to the Council not to have independent members on its Audit Committee.

Risk Management

Financial and Procurement Implications

Direct financial implications will depend on Members decision as to whether to recommend independent members and if so whether to recommend remuneration which would then be set by the Independent Remuneration Panel.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2003. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972. An Audit Committee is seen as an essential element of corporate governance and features within CPA Use of Resources.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

Consultees:

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Appendices / Background papers

Appendix 1 – A draft job description and specification.

Key Decision/Decision in Forward Plan

Not Applicable