

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 23 NOVEMBER 2022
title: CIPFA POSITION STATEMENT: AUDIT COMMITTEE CO-OPTED MEMBERS
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

- 1.1 To provide members with further information relating to the role and function of co-opted members.

2 BACKGROUND

- 2.1 The Internal Audit Manager presented a summary of the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 to the Committee in September 2022 for review. Several actions were accepted which will enhance the effectiveness of the committee in line with CIPFA expectations
- 2.2 The Committee requested further information in relation to Action 2 (to appoint two co-opted independent members). The purpose of this report is to set out the role and function of co-opted members and their proposed responsibilities in relation to this committee.
- 2.3 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') sets out their view of the role and functions of an audit committee. It replaces the previous 2018 Position Statement and includes all principal local authorities in the UK.
- 2.4 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and has been prepared in consultation with sector representatives. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 2.5 The results of the assessment of the current arrangements in place for the Accounts & Audit Committee against the principles and practices were presented to the previous meeting of this committee.
- 2.6 CIPFA outline that "*the Audit Committee should provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre*". Although there is no legislative direction to include co-opted independent members, CIPFA recommends that the Accounts & Audit Committee include at least two co-opted independent members to provide appropriate technical expertise. Further to this, both the Redmond Review 2019 and consultation response from the Audit & Reporting and Governance Authority (ARGA) recommend that such members are appointed to further demonstrate independence.

3 ISSUES

- 3.1 The Accounts & Audit Committee is a key element of the Council's arrangements to support good governance. It provides challenge and focus on the Council's governance, risk management and control frameworks and oversees the financial reporting processes. It also promotes and maintains high standards of ethical behaviour. Co-opted independent

members would assist elected members to observe the Code of Conduct for Members and monitoring the operation of the committee.

- 3.2 The co-option of an independent member to the Committee would help to bring additional knowledge and expertise. The **Co-opted members will not have any voting right**. They would instead be consulted during committee meetings and their views taken into account by voting members of the committee.
- 3.3 If the Council were to move to introduce Independent Members to the Account and Audit Committee then the governance arrangement within the Constitution would need to be reviewed. The following table outlines the purpose of co-opted members, their key responsibilities and commitments.

Purpose of Co-Opted Independent Member
Review the Council's corporate governance arrangements, including its ethical framework, against recognised best practice and consider annual governance reports and assurances.
Consider and make recommendations to the Council regarding changes to the Constitution.
Monitor and comment on the effective development and operation of risk management policies in the Council.
Consider and comment on reports from the External Auditor, including the annual plan and Annual Audit Letter.
Consider and comment on the Annual Internal Audit Plan.
Consider and comment on reports from internal audit reviews undertaken in accordance with the Annual Audit Plan.
Consider any significant issues arising from external or internal audit work.
Consider and comment on the Head of Internal Audit Annual Report and Opinion including a summary of internal audit activity, together with the level of assurance it can give over the Council's governance, risk management and control arrangements.
Monitor and comment on arrangements to protect the Council from fraud and corruption, including the Counter Fraud, Bribery & Corruption Policy and the Whistle Blowing Policy.
Review and approve the Annual Statement of Accounts, including the Annual Governance Statement.

Key Responsibilities and Commitments
The independent members would need to have appropriate skills, experiences and competencies to meet the key responsibilities and commitments below:
Committing to attend and constructively participate in meetings.
Committing to personal development in the role.

Key Responsibilities and Commitments (cont'd)
Committing to attend training sessions in accordance with agreed development.
Conforming to the Nolan principles of public life as set out in the Council's Code of Conduct for members.
Adopting the highest levels of personal integrity, openness and honesty
Thorough preparation for meetings through careful consideration of all agenda reports and documents.
Questioning senior management on issues arising from committee papers with due regard to the role of the committee.
Adopting and demonstrating a politically neutral perspective in questions asked and the general contribution to the work of the committee.
Applying relevant skills and experiences to add value and depth to the work of the committee.
Good advocacy skills: able to present relevant and well-reasoned arguments and provide effective and constructive challenge.
Ability to effectively analyse and interpret complex issues arising from written and verbal reports on finance, audit, risk management and governance matters.
Good understanding of the importance of accountability and probity in public life.
Ability to demonstrate objectivity, integrity and discretion and ability to maintain confidentiality of sensitive information.
Good communication and interpersonal skills; a confident public speaker.
Previous experience of audit committees.
Understanding of local government and the role of officers and members.
The Council's objectives, key activities and the key challenges it faces.
Financial management/ accountancy/ risk management/ governance within the public or private sector.
Understanding of the roles and purpose of Internal and External Audit.

3.4 If members were to agree to the appointment of co-opted independent member(s), the following would also need to be considered:

- Remuneration - whether co-opted independent members would be entitled to an allowance or travelling/ subsistence expenses in undertaking their role.
- Length of contract – to determine the term served.
- Recruitment process – aligned to current Council process.

4 CONCLUSION

4.1 Committee should note the contents of this report.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA29-22/ RP/AC
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