



TO: Audit & Governance Committee

FROM: The Chair, Audit & Governance Committee

DATE: 19 September 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT	Appointment of an Independent Member to the Audit & Governance Committee
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1. PURPOSE

1.1 This report details the process undertaken to date recruit an independent member to the Audit & Governance Committee and seeks the Audit & Governance Committee's approval to appoint a co-opted member for a 2 year period as a non-voting, independent member to sit on the Committee.

2. RECOMMENDATIONS

2.1 The Committee is asked to:

- note the appointment process undertaken to date;
- to consider and approve the recommendation of the Audit & Governance Committee's Independent Member Appointments Panel to appoint of Jennifer Eastham, Vice Principal - Finance & Corporate Services, Blackburn College, as a co-opted non-voting Independent Member to sit on the Audit & Governance Committee for a period of 2 years.

3. BACKGROUND

3.1 The primary considerations in relation to audit committee membership should be maximising the committee's knowledge base and skills as a collective body, being able to demonstrate objectivity and independence, and having a membership that will work together. Elected members of local authorities bring knowledge of the organisation, its objectives and policies to the audit committee.

3.2 However, good practice shows that co-option of independent members is beneficial to an audit committee. The injection of an external view can often bring a new approach to committee discussions. Authorities that have chosen to recruit independent members have done so for a number of reasons:

- To bring additional knowledge, experience and expertise to the committee, particularly in areas such as governance, finance, risk management and/or audit;
 - To reinforce the political neutrality, integrity and independence of the committee; and
 - To maintain continuity of committee membership where membership is affected by the electoral cycle.
- 3.3. In 2022 CIPFA issued a position statement, 'Audit Committees in Local Authorities and Police 2022' and the 2022 edition of 'Audit Committees: Practical Guidance for Local Authorities and Police'. These draw on best practice from both local government and the wider public sector and update previous guidance issued in 2018. These documents highlight that the composition of an audit committee is a key factor in achieving the characteristics of a good audit committee.
- 3.4. As part of the Guidance, CIPFA endorses the approach of mandating the inclusion of lay or co-opted independent members and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.

4. RATIONALE

- 4.1 The appointment of a co-opted member to the Audit Committee is not a statutory requirement for local authorities in England. However, where there is currently no legislative direction to include co-opted members, CIPFA recommends that each local authority should include at least two co-opted independent members to provide appropriate technical expertise.

5. KEY ISSUES AND RISKS

- 5.1 The CIPFA guidance contains an appendix setting out the knowledge and skills framework for audit committee members. This includes details of specialist knowledge that would add value to an audit committee. The primary considerations in relation to committee membership should be maximising the committee's knowledge base and skills as a collective body, and being able to demonstrate objectivity and independence.
- 5.2 More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience. The following areas of specialism are noted in the guidance for consideration:
- Accountancy, with experience of financial reporting;
 - Internal auditing;
 - Risk management;
 - Governance and legal;
 - Expert service knowledge relevant for the organisation; and
 - IT systems and security.

- 5.3 The membership of the Audit & Governance Committee was updated in 2022 to include two independent non-voting members, who are subject to re-appointment every two years. Their appointment must be approved by the Committee.
- 5.4 A Panel of three Committee members was established to consider the appointment of independent members. The Panel, consisting of Councillors Harling, Sidat and Baldwin, met on 30 September to interview Jennifer Eastham, Vice Principal - Finance & Corporate Services, Blackburn College for one of the two independent member vacancies on the Committee. Officer support was provided to the Panel. Following this meeting, the Panel recommends Jennifer's appointment to the Committee.
- 5.5 This recommendation seeks to address the risk that the effectiveness of the Audit & Governance Committee may not be optimised, through bringing in additional skills, knowledge and expertise that add value to the experience and knowledge already provided by existing members of the committee. This gap was noted in the Committee's self-assessment against the CIPFA Guidance and Position Statement considered at the meeting on 28 June 2022.
- 5.6 The Panel noted that Jennifer is a qualified chartered accountant and her role at Blackburn College includes being the College's Chief Financial Officer. She has been responsible for the audit committee meetings of Blackburn College for a number of years, as well being a co-opted member of the Lancashire County Pension Fund and Lancaster University Redundancy Committee, and has a strong understanding of audit, risk and governance.

6. POLICY IMPLICATIONS

There are no policy implications arising directly from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising directly from the contents of this report

9. RESOURCE IMPLICATIONS

There are no resource implications arising as a result of this report.

10. EQUALITY AND HEALTH IMPLICATIONS

The decisions to be taken do not change policy and do not require any further consideration in respect of equality or health issues.

11. STATEMENT OF COMPLIANCE

The recommendation in this report is made further to advice from the Monitoring Officer. The Section 151 Officer has confirmed that it does not incur unlawful expenditure. It is also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendation reflects the core principles of good governance set out in the Council's Code of Corporate Governance.

12. CONSULTATIONS

None arising from the contents of this report.

Contact Officer: Colin Ferguson, Head of Audit & Assurance– Ext: 5326
Date: 8 September 2023
Background Papers: None