

**FINANCE, AUDIT & RISK COMMITTEE
20 SEPTEMBER 2012**

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

15

TITLE OF REPORT: CONSIDERING THE RECRUITMENT OF AN INDEPENDENT MEMBER OF THE FINANCE, AUDIT & RISK COMMITTEE

REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT

1. SUMMARY

- 1.1 The purpose of this report is to follow up on an action arising from the Report on the Effectiveness of the Finance, Audit & Risk Committee.

2. BACKGROUND

- 2.1 At the Finance, Audit & Risk Committee meeting on 18th June 2012, it was resolved “That the Head of Finance, Performance and Asset Management, in liaison with the Head of Assurance – SIAS, be requested to undertake enquiries about the appointment of an Independent Member to the Finance, Audit and Risk Committee (as detailed in the Action Plan at Appendix B of the June report) and report back to this Committee at the next meeting scheduled for 20 September 2012”.

3 ISSUES

- 3.1 It is recommended practice (CIPFA and the National Audit Office) for an Audit Committee to have an independent member, although this is guidance only. The rationale being that “this independent member will bring additional finance and accounting skills (in particular knowledge of accounting and financial reporting)”. Any Independent Member would require training to familiarise themselves about local government and North Hertfordshire District Council in particular.
- 3.2 The SIAS Head of Assurance provided very helpful information concerning a recent equivalent exercise carried out by Broxbourne Borough Council (who in turn had acquired information from Barnet). This information has been utilised to create the draft documents which are attached to this report for comment.
- 3.3 The only other authority we are aware of within Hertfordshire where there is an independent member is Stevenage Borough Council. Feedback from the SIAS Head of Assurance is that the independent member brings an element of practical financial knowledge to the Committee and works well with the other members. SIAS regard this as a strongly performing Audit Committee. The Stevenage independent member has been involved for some years.

- 3.4 A suggestion has been made by SIAS that, should NHDC be interested in proceeding with the appointment of an Independent Member, it may be possible to arrange for the Chair of the Finance, Audit & Risk Committee to see one or other of these committees in operation, should the Chair so wish.
- 3.5 In the event that Members wish to proceed with this process, Appendix A provides a draft advert for Member comment. This includes the proposal that interested parties contact the Head of Finance, Performance & Asset Management for more information. Alternatively this nominated point of contact could be another Officer or Member (for example; the Portfolio Holder for Finance & IT, the FAR Committee Chair, the Strategic Director of Finance, Policy & Governance or the SIAS Head of Assurance).
- 3.6 Appendix B gives a draft role description for the independent member and Appendix C outlines a person specification. The purpose of this information is to ensure potential applicants are fully aware of the skills sets and experience that NHDC is seeking for this role. It should also be noted that applicants considered for the role must not have been a member or officer of the Council within the last five years. Additionally they must not be a relative or close friend of a member or officer of the Council, or be an active member of a political party, either now or in the past 5 years. Finally they must not currently, or have been in the last 5 years, hold a public profile in relation to political activities or have involvement in a lead or prominent position in a significant contentious issue with the Council.
- 3.7 With regard to longer term developments, the draft Local Audit Arrangements Bill is currently out for consultation. This includes reference to independent auditor panels to appoint Local Authority external auditors. This proposal could therefore contribute to NHDC's arrangements for this future requirement, albeit not until 2017 (Grant Thornton have been appointed until then).
- 3.8 One difficulty experienced by Broxbourne was that of identifying suitable publications for placing the advert at reasonable (negligible) cost. Based on their experience, it is proposed that, should the Committee wish to proceed with this initiative, adverts are placed in the local press, on the Internet site, and also on the volunteering sections of the main CCAB Accountancy body websites (ACCA, CIPFA and ICAEW regional sections). These websites are free for volunteering positions. Broxbourne obtained a reasonable level of response from these sources.
- 3.9 The FAR Committee are requested to consider whether they wish to proceed with the proposal to appoint an Independent Member and, if so, whether the outlined approach to advertising is approved. If this process is agreed a report to Council, via Cabinet, will be required, recommending the appointment procedure, seeking approval for the principle and changes to the Constitution, and also delegation of the recruitment process. This can then be carried out, before reporting again to full Council to confirm the appointment.
- 3.10 If we are to proceed then the format and membership of the interview panel will need to be determined in consultation with the Leader of the Council, Portfolio Holder for Finance & IT and the Strategic Director of Finance, Policy & Governance.

4. LEGAL IMPLICATIONS

- 4.1 Local authorities have a general power under section 102 of the Local Government Act 1972 to co-opt persons from outside their membership - "A committee appointed under the act, other than a committee for regulating and controlling the finances of the local authority or of their area, may, subject to section 104 below, include persons who are not members of the appointing authority". The exception for 'regulating and controlling the finances of the local authority' does not apply as the FAR Committee acts to provide scrutiny and overview of financial matters, in an advisory rather than decision making capacity.
- 4.2 The Constitution could be amended to enable the appointment, and to reflect the non-voting status. The committees section reference to the FAR Committee would require amendment (page 40). After 'membership: 7' it should include reference to a maximum of 1 independent non-voting member. The same amendment would be made to the FAR Committee Procedure (page 109), with the arrangements amended to include reference to an additional non-voting co-opted member. The FAR Committee Terms of Reference are not affected by the appointment of an independent member.
- 4.3 Making the proposed appointment to the FAR Committee, and the resulting constitutional changes, is a full Council function, as annual Council appoints the FAR Committee.

5 FINANCIAL AND RISK IMPLICATIONS

- 5.1 It is proposed that this is a voluntary, non paid role, although travelling expenses would be reimbursed.
- 5.2 Any costs incurred in advertising this role and for ongoing expenses will be met from Members expenses, managed within Committee Services budgets.

6. EQUALITIES IMPLICATIONS

- 6.1 The Equality Act 2010 came into force on the 1st October 2010. The Act created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a general duty that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 6.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 6.3 The appointment of an independent member would follow the recruitment practices of the Council to ensure the appointment is transparent and all applicants are treated fairly regardless of their race, disability, sex, age, religion or sexuality.

7. HUMAN RESOURCE IMPLICATIONS

- 7.1 Initially there would be an additional demand on Officers in the recruitment process. On appointment, there would be training obligations to ensure the independent member understands more about local government and NHDC in particular.

8. RECOMMENDATIONS

- 8.1 That the Committee considers this proposal to appoint an Independent, non-voting Member to the Finance, Audit & Risk Committee and:

If agreed:

- 8.2 Committee make the appropriate referral to full Council, via Cabinet.
- 8.3 Agree the approach to advertising the role.
- 8.4 Note the approach to establishing membership of the interview panel.

9. APPENDICES

- 9.1 Appendix A: Draft Advertisement
- 9.2 Appendix B: Draft Role Description
- 9.3 Appendix C: Draft Person Specification

10. CONTACT OFFICERS

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