

COUNCIL
11 November 2021

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: Independent person on the Finance, Audit and Risk Committee

REPORT OF: *Service Director: Resources*

EXECUTIVE MEMBER: *Non-Executive*

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

This report recommends that the Council has an independent person (i.e. a non-Councillor) on the Finance, Audit and Risk Committee. This is recommended as best practice by the Chartered Institute of Public Finance and Accountancy (CIPFA). If approved the role would be appointed to so that they could start from the beginning of the 2022/23 Civic Year.

2. RECOMMENDATIONS

- 2.1. That Council agrees to there being an independent person on the Finance, Audit and Risk (FAR) Committee.
- 2.2. That Council instructs the Service Director: Legal and Community to make the required changes to the constitution.
- 2.3. That the Service Director: Resources is instructed to recruit to the position, in consultation with the Chair of the Finance, Audit and Risk Committee.
- 2.4. That the IRP be asked to consider an appropriate allowance for this role as part of their consideration of Members Allowances.

3. REASONS FOR RECOMMENDATIONS

- 3.1. *This will allow the Council to conform to best practice.*

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. *The Council could continue with the current arrangements of just having Councillor members of the Committee.*

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The idea of having an independent person on the FAR committee has been raised in recent FAR meetings and has been supported.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Council's Finance, Audit and Risk (FAR) Committee provides oversight over matters in relation to finance, external audit, internal audit, fraud, governance and risk. It also undertakes the role of approving the Council's Statement of Accounts. It currently comprises of seven Councillor members. There can be fairly high turnover in membership of the Committee between years.

8. RELEVANT CONSIDERATIONS

- 8.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) set the standards that Local Authorities should follow in relation to finance, accountancy and related matters. Those related matters include effective governance. CIPFA also issue guidance on best practise.
- 8.2 CIPFA have issued guidance that it is best practice to have an independent (non-political) person on the audit committee. This has been communicated through various documents including the Financial Management Code.
- 8.3 The Council asks the Shared Internal Audit Service (SIAS) to regularly review the effectiveness of FAR. They have made recommendations in the reviews covering the 2019/20 and 2020/21 that the Council should have an independent person on the Committee.
- 8.4 Benefits of having an independent person include (subject to an appropriate candidate):
- Provide additional knowledge and expertise
 - Provide a different perspective
 - Provide continuity between years
- 8.5 If this proposal is approved then the next step would be to make the necessary changes to the constitution. The IRP would then be asked to consider an appropriate allowance for this role as part of their annual review of allowances. It is felt that this would probably be in the region of £1-2k per year (+ expenses).
- 8.6 The Service Director: Resources would then carry out a recruitment exercise, learning from other Councils that have already been through this process. The Chair of FAR would be consulted on the process, but it would be led by the Service Director: Resources. There would be a requirement that any candidate was independent of any political party. There would also be an expectation that any candidate would undertake the role for 3-4 years (to be determined) to provide the benefit of continuity. If there was no candidate that could demonstrate suitable knowledge/ expertise then the role would not be appointed to at that time.
- 8.7 The independent person would be a non-voting member of the Committee. They would not affect the quoracy of the committee.

9. LEGAL IMPLICATIONS

- 9.1 The Council's Finance, Audit and Risk Committee is established further to the Local Government Acts 1972 and 2000 and its purpose is to give assurance to elected members and the public about the governance, financial reporting and performance of the Council. The appointment of a non-voting independent person on the committee will assist and promote good governance and scrutiny of the committee.

10. FINANCIAL IMPLICATIONS

- 10.1 There would be an additional cost in relation to the allowance and expenses paid to a successful applicant. It is possible that this can be met from within existing budgets, although this will be reviewed in light of the IRP recommendations.

11. RISK IMPLICATIONS

- 11.1 The intention of this appointment is to strengthen the role of the FAR committee, which would improve governance and reduce risk.
- 11.2 The recruitment process will be designed to help ensure that a suitable candidate is appointed, and that any appointed person can be removed if it can be clearly shown that they are not acting in the best interests of the Council.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their 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.
- 12.2. There are no equalities implications arising from this report. The recruitment process will be designed to try and maximise the number of applicants.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no significant HR implications arising from this report. There will be additional work for the Service Director: Resources to manage the appointment to this role. There may also be some work in arranging training, although there will be a requirement that a successful candidate would already have some knowledge and expertise.

16. APPENDICES

- 16.1 *None*

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director: Resources ian.couper@north-herts.gov.uk; ext 4243
- 17.2 Isabelle Alajooz, Legal Commercial Team Manager; isabelle.alajooz@north-herts.gov.uk
- 17.3 Jo Keshishian, Acting HR Services Manager, jo.keshishian@north-herts.gov.uk, ext 4314

18. BACKGROUND PAPERS

- 18.1 *Report to Finance, Audit and Risk Committee on the Financial Management Code (item 13):*
<https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=146&MId=2599&Ver=4>
- 18.2 *Report to FAR on the SIAS review of the effectiveness of FA (item 20):*
<https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=146&MId=2598&Ver=4>