



www.dacorum.gov.uk

Audit Committee

Report for:	Audit Committee
Title of report:	Audit Committee Governance Update- Committee Terms of Reference and Appointment of Independent Committee Members.
Date:	26 th July 2023
Report on behalf of:	Cllr Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Redmond review Dacorum Update Appendix B CIPFA's Position Statement on Audit Committee in Local Authorities and Police 2022 Appendix C Independent Committee Member Job Description and Person Specification Appendix D Proposed Terms of Reference
Background papers:	March 2023 Audit Committee Terms of Reference Agenda Item 6
Glossary of acronyms and any other abbreviations used in this report:	CIPFA- Chartered Institute of Public Finance and Accountancy

Report Author / Responsible Officer

Fiona Jump, Head of Financial Services



Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)

Corporate Priorities	Ensuring efficient, effective and modern service delivery
Wards affected	All
Purpose of the report:	1. To present committee with an update on governance matters, including:

	<ul style="list-style-type: none"> • Recommendations of the Redmond review into local audit; • The appointment of independent persons to the committee and an associated update to the terms of reference for Audit Committee.
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. To note the contents of the report. 2. To agree the appointment of up to two independent persons to sit on Audit Committee for a period of two years. 3. To approve the Job Description and Person Specification for the independent person at Appendix C. 4. To approve the proposed update to the current Terms of Reference for submission to Full Council for approval at Appendix D, as part of the next update of the Council’s Constitution.
Period for post policy/project review:	<p>The Audit Committee Terms of Reference are including within the Council’s Constitution. The Constitution is reviewed and updated on a regular basis.</p>

1 Report

The purpose of this report is to provide Audit Committee with an update on governance arrangements. Specifically:

- An update on the status of recommendations made by the Redmond Review
- CIPFA’s position statement on the role of Audit Committees in Local Authorities and Police 2022
- The appointment of independent persons to the Audit Committee
- Proposed amendments to the Audit Committee Terms of reference, for recommendation to Full Council for adoption as part of the Council’s Constitution.

2 The Redmond Review into Local Audit

On 8 September 2020 the Government published the results of an independent review, led by Sir Tony Redmond, into the effectiveness of local authority financial reporting and audit. ‘Local audit’ here means external audit. The focus of the review is largely on external audit arrangements and the publication of statutory local authority accounts, although the work of internal audit is covered where relative to the statutory audit process.

Local authority accounts are complex and the review highlighted a number of potential weaknesses with the current local audit framework and makes recommendations to address these. Broadly, these cover the following areas:

- External Audit Regulation and Oversight

- Financial Reporting
- Governance
- Financial Resilience and Sustainability

The implications for the Council are as follows:

- A likely increase in audit fees of circa 150% in 2023/24.
- The requirement for the auditor to present an annual report to Full Council.
- The appointment of at least one suitably qualified independent member to the Audit Committee.
- An additional requirement to produce a standardised statement of service information and costs.
- A revised timetable, with a change in the reporting deadline to 30th September, as in the current year.

Appendix A summarises the current status of recommendations arising from the Redmond Review.

3 CIPFA’s Position Statement on the Role of the Audit Committee

CIPFA is a UK – based international accountancy standard-setting body for the public sector. As part of its remit, CIPFA issues guidance on best practice in public financial management in the United Kingdom.

Following the Redmond review publication, CIPFA updated its position statement on the role of the Audit Committee in local authorities and police authorities (appendix B to this report) in November 2022.

The Audit Committee is a key part of the Council’s governance framework. Current arrangements for the Council’s Audit Committee reflect the majority of the principles and practices outlined in CIPFA’s Position Statement on Audit Committee in Local Authorities and Police 2022. An exception to this is the inclusion of independent members of the committee. Proposals to address this are set out at section 4 to this report.

4 The appointment of independent persons to the Audit Committee.

One of the key recommendations of the Redmond review, subsequently reflected on CIPFA’s updated position statement, is the inclusion of co-opted independent members in the make- up of the committee. Whilst this is not currently a legal requirement, inclusion of at least two independent members as part of the Audit Committee is considered best practice in the sector.

It is recommended that Audit Committee approve the appointment of up to two independent members in order to comply with best practice.

Guidance has been sought from the Council’s Monitoring Officer (Assistant Director, Legal and Democratic Services) prior to bringing this recommendation to Committee. Officers have also looked at process and documentation produced by other Councils who have appointed to similar roles on their Audit Committee.

The independent persons would be a non-councillor. Whilst participating fully in the business of Audit Committee, they would not have voting or decision making rights in the same way elected Members of the Audit Committee do. The independent persons would carry out their role in an advisory and consultative manner.

Suitably qualified and experienced independent member(s) serving on Audit Committees can also bring specialist knowledge and insight to the workings and deliberations of the committee which, when partnered with elected members' knowledge of working practices and procedures, ensure:

- An effective independent assurance of the adequacy of the risk management framework.
- Independent challenge to and assurance over the Authority’s internal control framework and wider governance processes.

It is recommended that recruitment be on a competitive basis following the Council’s rules, including an open advertisement and interviews, as currently undertaken for independent members of the Standards Committee. Reasonable travel and other expenses will be paid to the persons concerned.

A proposed Job Description and Person Specification for the role is attached at Appendix C.

Next steps for appointment:

September 2023	Roles advertised for a period of 1 month.
October 2023	Shortlisting of candidates to take place, followed by panel interviews. Roles offered to successful candidates.
November 2023	Independent person(s) commence membership of Audit Committee.

5 Proposed amendment to the Audit Committee terms of reference.

An extract from the Council's constitution setting out the Terms of Reference for Audit Committee is attached at Appendix D.

It is proposed that the constitution is amended to include reference to Audit Committee membership comprising at least one but up to two independent members. Proposed amendments are included in italics on Appendix D.

6 Financial and value for money implications, legal implication and risk implications:

The purpose of the Audit Committee is to provide a high level focus on the adequacy of governance, risk and control arrangements within the Council. This helps ensure appropriate levels of financial control exist within the Council and the Council continues to offer value for money.

7 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

8 Sustainability implications (including climate change, health and wellbeing, community safety)

There are no direct sustainability implications arising from this report.

9 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

There are no direct Council infrastructure implications arising from this report

10 Conclusion

This report has provided an update on current governance matters for committee to consider and approve.