

By: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 24th April 2019

Subject: **APPOINTMENT OF AN INDEPENDENT MEMBER TO
THE GOVERNANCE AND AUDIT COMMITTEE**

Classification: Unrestricted

Summary: This report is a follow up to the in-principle decision to appoint an independent member to this Committee for a 2-year trial and develops underlying detail around the role and remit as well as recruitment timetable. It also develops the concept of annual confidential meetings with the Heads of internal and external audit

Recommendation: FOR DECISION

Introduction

1. At the January meeting of this Committee the 'in principle' decision to appoint an independent member to this Committee for a trial period of 2 years subject to further work on the appointment process and firming up the person specification. In addition, further research would be undertaken on implementing a process of introducing annual confidential meetings with the heads of internal and external audit.

Independent Member

1. As a reminder in 2018 CIPFA updated its Position Statement on Audit Committees and as a matter of good practice recommended that authorities consider the appointment of an independent member. The advantages of having an independent member on the Committee are:
 - a) Greater levels of apolitical independence
 - b) Bridging certain skills gaps and expertise
2. Since the January G&A Committee the National Audit Office have published their report on local authority governance. A key component of the report focused on the effectiveness of audit committees. The report noted that nearly a third of local authorities now have one or more independent members on their audit committees and that there were clear benefits to the effectiveness and independence of such committees. As such the increasing use of independent members on audit committees is one of the key strategic recommendations of the NAO report. This underlines the need for such a position.
3. Following on from the meeting the person specification has been amended according to initial comments received from Members. This revised specification is attached in Appendix A with amendments highlighted — more particularly the need to abide to the Constitution and relevant aspects of the Members Code of

Conduct. The Chair has also proposed a small panel of Members ratify this specification after this meeting.

4. Changes may be required to the Terms of Reference and Constitution of the Committee and these can be undertaken by the General Counsel
5. It would be beneficial for the Independent Member to start their two-year tenure with the July meeting of this Committee. Therefore, recruitment should start as soon as possible and that a Member panel be created to recruit a suitable individual. An outline advert is attached in Appendix B.

Annual confidential meetings with the Heads of Internal and External Audit

6. At the January meeting the Committee also agreed in principle to hold annual confidential meetings with the heads of internal and external audit as a matter of good practice particularly providing alignment with common practice in the third and private sectors.
7. Research has shown that the Committee effectively already has the powers to do this. Therefore, the only issue is timing. It is suggested that this process is initiated in July, particularly as the impending retirement of the current Head of Internal Audit could act as an 'exit discussion'.

Summary

8. The proposals set out in this report are intended to further improve the G&A Committee's role and remit in line with recommended best practice. The need for changes such as the introduction of an Independent Member have been underlined by the recommendations from the recent NAO report.

Recommendations

9. Members are asked to agree the following:
 - a) the appointment of an independent member starting from the July 2019 meeting
 - b) the basis of this appointment is referenced to the specification in Appendix A
 - c) A Member recruitment panel be set up for this purpose
 - d) The General Counsel makes appropriate amendments to the Terms of Reference and Constitution of this Committee as necessary
 - e) The concept of annual confidential meetings with the Heads of Internal and External Audit is introduced with the July Committee.

Appendices

Appendix A – Specification for independent audit committee Member

Appendix B – Outline advert for an independent audit committee Member

Robert Patterson
Head of Internal Audit
(03000 416554)

Appendix A

Independent Governance and Audit Committee Member

Background

Kent County Council operates a Governance and Audit Committee that is accountable directly to Council, whose role is to:

- provide the Council with independent:
 - assurance of the adequacy of the risk management framework and the internal control environment
 - review of its governance, risk management and control frameworks.
- oversee:
 - the financial reporting and annual governance processes
 - internal audit and external audit, helping to ensure effective relationships exist and efficient and effective assurance arrangements are in place.

The full Terms of Reference for the Audit Committee is attached.

It operates in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) good practice guidance and Position Statements last updated in 2018.

Duties and Responsibilities / Time Commitment

To attend Audit Committee meetings as and when required. The Committee normally meets four times a year in April, July, October and January. The Committee meets during the day, normally starting at 10.00. Meetings last between 2 to 3 hours and you would also need to allow for some preparation time.

To attend training events as required which are normally held prior to the start of each meeting.

To actively promote good governance, risk management and control in the delivery of the Council's functions.

To be an independent source of support for Council's Governance and Audit Committee providing independent challenge and scrutiny in response to reports presented to it.

To abide with the Council's Constitution and relevant elements of the Members Code of Conduct.

Knowledge and Skills

The candidate for the position of Independent Member of the Audit Committee will ideally have:

- extensive experience of working with or being a member of an Audit Committee
- a financial or audit type background and appropriate experience of financial management
- a good understanding of governance, risk management and control
- integrity, objectivity, discretion and the ability to make decisions
- an ability to analyse complex information, question, probe and seek clarification so to come to an independent and unbiased view
- experience of working in or with large, complex organisations with an understanding of the political environment that local authorities operate within
- good interpersonal and communication skills.

You should not:

- have been a member or employee of the Council at any time during the last 2 years
- be a relative or close friend of a member or officer of the Council
- be engaged in any party political activity
- have any criminal convictions or be an un-discharged bankrupt
- have any significant business dealings with the Council.

Remuneration

This is a voluntary position.

A remuneration for expenses of £1,500 per annum.

Appendix B

Outline advert for an independent Member of the Governance and Audit Committee

Kent County Council is looking for an independent member to join its Governance and Audit Committee.

The Governance and Audit Committee provides independent assurance on the arrangements the Council has in place to successfully manage its business (which includes risk management, internal control, financial reporting and governance).

In doing this, the Committee plays an important role in supporting the delivery of services to the community.

If you are interested in this position, please send a CV to Robert Patterson, Head of Internal Audit at Robert.Patterson@kent.gov.uk. If you would like to discuss the role, he can be contacted on tel: 03000 416554.

Attached are a Person Specification for the role and the Terms of Reference for the Governance and Audit Committee.

Applications are required by **xxxxxx**

If successfully shortlisted, you will be invited for a short interview with a panel of Members from the Committee including the Chair and Vice Chair at a mutually convenient date.

The Head of Internal Audit will also be in attendance.