

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**  
**17<sup>th</sup> MARCH 2008**

**APPRAISAL OF APPOINTING**  
**AN INDEPENDENT MEMBER TO THE AUDIT COMMITTEE**

<b>OPEN</b>	
<b>COMMUNITY STRATEGY THEME</b>	Internal Organisational Theme
<b>CORPORATE THEME:</b>	Improving Corporacy & Performance
<b>KEY PRIORITY:</b>	Financial and Asset Management
<b>STRATEGY:</b>	Audit committee
<b>CABINET MEMBER:</b>	Councillor John Campion
<b>RESPONSIBLE OFFICER:</b>	Head of Financial Services
<b>CONTACT OFFICER:</b>	Joan Hill Extension No. 2102 Joan.hill@wyreforestdc.gov.uk
<b>APPENDICES</b>	None

**1. PURPOSE OF REPORT**

- 1.1 To provide members with an appraisal of appointing an independent member to the Audit Committee.

**2. RECOMMENDATION**

The Audit Committee is asked to **NOTE** the report, and consider making appropriate **RECOMMENDATIONS** to Cabinet on appointing an independent member to the Audit Committee.

**3. BACKGROUND**

- 3.1 Council approved the establishment of the Audit Committee in May 2006. The role undertaken by the audit committee is a key component of corporate governance and is an important source of assurance about the council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) have issued guidance for local authorities on audit committees and have produced a toolkit for members, a copy of which was provided to members of the committee at its training session in June 2007.
- 3.3 The existence of Audit committees in local authorities is still a relatively new entity. As part of the report a survey of the memberships of audit committees in local authorities has been undertaken and results are included in Section 4.

#### **4. KEY ISSUES**

- 4.1 The guidance issued by CIPFA for local authorities on audit committees includes a position statement which details the role undertaken by the committee. The role is a key component of corporate governance and is an important source of assurance about the council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 4.2 Further the CIPFA position statement states that:  
"The way in which an audit committee is organised will vary depending upon the specific political and management arrangements in place in any local authority".
- 4.3 Regarding composition of an audit committee the CIPFA guidance notes that "the size of the audit committee is relevant although not crucial. Too large a number of members and meetings may become unwieldy."
- 4.4 CIPFA guidance goes on to note that:  
"Co-option may well be beneficial. Often, the injection of an external view, for specific discussion, can be seen as bringing a new approach and flavour to committee discussions. Many authorities have made provision to co-opt a member but have not bestowed voting rights on that member. This allows flexibility in co-option and retains the decision-making function for the members of the audit committee. An equivalent model is the standards committee."
- 4.5 Current legislation allows the Council if it so wishes to appoint someone other than an elected member on to the audit committee with or without voting rights.
- 4.6 CIPFA guidance notes that:  
"as for any appointment the selection of an independent member should be made carefully and after due consideration of the requirements of the role, the skill set, the qualification and experience needed to meet the committee's objectives."
- 4.7 A survey of the arrangements of the Audit Committee in local authorities has been undertaken. The local authorities included in the review were those in Worcestershire and Staffordshire together with other large authorities in the West Midlands area.
- 4.8 An information request was also circulated around the Midland District Chief Auditor's Group by the Financial Services Manager and no further local authorities with an independent member have been identified.
- 4.9 These results show that:
- No local authorities in Worcestershire have independent members;
  - In Staffordshire two of the 6 districts have independent members. These are: Staffordshire Moorlands who have an Audit & Accounts Committee with 9 members of which 3 are co-optees who hold voting rights except on matters relating to the Statement of Accounts; and Lichfield District Council who have an Audit committee with 7 members of which 2 are co-optees who hold full voting rights;
  - Birmingham City; Shropshire County; and Wolverhampton City Councils do not have co-optees;
  - Telford and Wrekin Council have a Standards and Audit Committee with a membership of 12 including 4 co-optees with voting rights;

- Sandwell MBC has an Audit Committee of 6 members including one co-optee without voting rights;
- Rugby Borough Council has an audit committee of 6 members and 2 co-optees who are the chair & vice-chair.

4.9 In summary of the 19 authorities surveyed 5 have independent members of which 3 have full voting rights; 1 partial voting rights and 1 no voting rights.

## **5. FINANCIAL IMPLICATIONS**

5.1 There would be financial implications if it were agreed to appoint an independent member for items such as attendance allowance and travel expenses to attend committee meetings and training sessions. In addition there would be expenses incurred in the recruitment process for example in the placing of advertisement(s) and in officer time.

## **6. LEGAL AND POLICY IMPLICATIONS**

6.1 The Council is able to consider if it so wishes to appoint someone other than an elected member to serve on the audit committee.

## **7. RISK MANAGEMENT**

7.1 The role undertaken by the audit committee is a key component of corporate governance and is an important source of assurance about the council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

7.2 If the role of the audit committee is not fulfilled then there would be a risk to the opinions given by the council's external auditors on the council's corporate governance arrangements and so to the council's reputation.

## **8. CONCLUSION**

8.1 The Council has an established audit committee in accordance with guidance from CIPFA and in line with the requirements of the Use of Resources assessments undertaken by the council's external auditors.

8.2 The survey of local authorities has identified only 5 authorities in the West Midlands area which have independent members on the audit committee.

8.3 The committee has to consider its effectiveness and whether it requires the injection of an external view in order for it to meet its objectives.

## **9. CONSULTEES**

9.1 Corporate Management Team  
Leader of the Council

## **10. BACKGROUND PAPERS**

None