



## AUDIT AND RISK MANAGEMENT COMMITTEE TUESDAY 30 NOVEMBER 2021

<b>REPORT TITLE:</b>	<b>APPOINTMENT OF INDEPENDENT MEMBERS TO THE AUDIT AND RISK MANAGEMENT COMMITTEE</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

### REPORT SUMMARY

This report identifies the work undertaken to date by Council Officers and Members of this Committee to appoint independent members to the Audit and Risk Management Committee. The appointments will ensure that the Council satisfies the requirements of the Chartered Institute of Public Finance Accountants (CIPFA) Audit Committees, Practical Guidance for Local Authorities and Police 2018 and the Terms of Reference for the Committee as well as supporting the outcomes from the Redmond Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, supporting improvements in governance in this area.

The report updates the Committee on the outcome of the recent recruitment exercise.

This decision effects all Wards and is not a key decision.

### RECOMMENDATIONS

The Audit and Risk Management Committee is requested to:

1. Recommend to Full Council the appointment of Joanne Byrne and Peter McAlister as independent Members to the Audit and Risk Management Committee in an advisory and consultative non-voting role.

## SUPPORTING INFORMATION

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 To ensure that the Audit and Risk Management Committee is compliant with current best professional practice as detailed in the CIPFA Audit Committees, Practical Guidance for Local Authorities and Police 2018 and supports the outcomes of the Redmond Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.
- 1.2 To ensure that the Audit and Risk Management Committee is operating in accordance with the Terms of Reference for the Committee.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Another option would be not to appoint Independent Members to the Audit and Risk Management Committee although this would fail to comply with best professional practice as detailed in this report.
- 2.2 An alternate option might be to appoint one Independent Member, however it was the collective view of the selection panel that it would be much more beneficial to the effectiveness of the Audit and Risk Management Committee to make two appointments, as well as being in line with best practice.

### **3.0 BACKGROUND**

- 3.1 Audit Committees are a key component of effective corporate governance. They are a key source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 3.2 Suitably qualified and experienced independent member(s) serving on Audit Committees can 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 review of the Authority's financial and non-financial performance.
  - Independent challenge to and assurance over the Authority's internal control framework and wider governance processes.
  - Oversight of the financial reporting process.
- 3.3 The CIPFA Audit Committees, Practical Guidance for Local Authorities and Police 2018 recommends the appointment of independent members to public sector audit committees as best professional practice and identifies that the injection of an external view can bring a new approach to committee discussions. The guidance also identifies that the addition of independent members can bring the following benefits to an Audit Committee:

- Additional knowledge and expertise.
- Reinforcement of political neutrality and independence.
- Maintenance of continuity of membership where membership is affected by the electoral cycle.

- 3.4 The Redmond Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting is supportive of actions being taken to improve the effectiveness of audit committees in the public sector and acknowledges the role of independent members in this.
- 3.5 The Terms of Reference for the Audit and Risk Management Committee were revised and updated in October 2020 to ensure continued compliance with the CIPFA practical guidance publication. They refer specifically to the appointment of a person to the Audit and Risk Management Committee who is not a Member or officer of the Council who should be allowed to speak but not vote at meetings (Section 13.1.c).
- 3.6 A recruitment exercise has recently been completed by officers from the Council in conjunction with the Chair and Party Spokespersons from the Audit and Risk Management Committee who formed the selection panel. The Officers were not part of the formal panel but were there in support of the panel members. A number of potential candidates were evaluated. Originally the intention had been to appoint one candidate to the post of independent member, however following the interviews it was the collective view of the panel that two individuals be selected for appointment due to their wide-ranging knowledge and experience that would be of great benefit to the Committee. It was agreed therefore that two candidates, Joanne Byrne and Peter McAlister be recommended to the Audit and Risk Management Committee for appointment as independent members of the Committee in an advisory and consultative non-voting capacity.
- 3.7 To comply with requirements of the Council's Constitution the appointments require ratification by Full Council.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The Independent Member roles are non-paid positions within the Council although each Member is entitled to receive a remuneration of thirty pounds per meeting to cover expenses.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 Wirral Council's Constitution at Section 13.1(c) of the Audit and Risk Management Committee's Terms of Reference, the Committee identifies that the Audit and Risk Management Committee "should include a person who is not a Member or officer of the Council who shall be a co-opted member of the Committee entitled to speak but not vote at meetings."

#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 There are none arising directly from this report.

**7.0 RELEVANT RISKS**

- 7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

**8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Members of this Committee have been consulted throughout the process.

**9.0 EQUALITY IMPLICATIONS**

- 9.1 The content and/or recommendations contained within this report have no direct implications for equality. However, the appointment of independent Members to the Audit and Risk Management Committee will assist in ensuring that the Council, its finances and service provision are effectively managed and governed aiding the advancement of equality and diversity.

**10. ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 The content and/or recommendations contained within this report are expected to have no impact on emissions of CO2/greenhouse gases.

**11. COMMUNITY WEALTH IMPLICATIONS**

- 11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the appointment of independent Members to the Audit and Risk Management Committee will assist in ensuring that the Council, its finances and service provision are effectively managed and governed aiding the advancement of economic, social and environmental justice for all residents.

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**APPENDICES**

None

**BACKGROUND PAPERS**

The CIPFA Audit Committees, Practical Guidance for Local Authorities and Police  
ARMC Terms of Reference  
Redmond Independent Review into the Oversight of Local Audit and the Transparency of  
Local Authority Financial Reporting

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee – IA Update Report	March 2021