

**WEST NORTHAMPTONSHIRE COUNCIL**

**21 March 2024**

<b>Report Title</b>	<b>Amendments to the Constitution – Appointment of non-elected Co-opted Members of the Audit and Governance Committee</b>
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**List of Appendices**

None.

**1. Purpose of Report**

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- 1.1 This report proposes amendments to the Constitution to add Co-opted Members to the Audit and Governance Committee in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) recommendations.

**2. Executive Summary**

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- 2.1 CIPFA good practice suggests that Local Authority Audit Committees should include at least two Co-opted Independent Committee Members to supplement the expertise of existing membership. Currently the Council's Audit and Governance Committee's constitution is made up of solely elected Members.
- 2.2 Following consultation and discussion with the Audit and Governance Committee members around the benefits of adding co-opted Members to the Committee membership and with agreement from the Committee Chair, it is proposed to amend the Constitution to add Co-opted Independent Members to the Committee membership.

**3 Recommendation**

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- 3.1 It is recommended the Council:
- 3.1.1 Amends the Constitution to add two Co-opted Independent Members to the Membership of the Audit and Governance Committee with payment of an allowance matching those of the other Co-opted Independent Members of the Council of £500 per annum; and
- 3.1.2 To delegate to the Monitoring Officer, in consultation with the Chair of the Audit and Governance Committee and the Head of Audit and Risk Management the arrangements for the selection of such members. This would include the preparation of a role profile, advertising the roles and

convening a selection panel of Members supported by Officers to interview applicants, following which formal appointment would be referred back to Council.

#### **4 Reason for Recommendation**

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- 4.1 To ensure compliance with CIPFA good practice and that the Committee has the appropriate level of technical expertise and support to comprehensively undertake its function.
- 4.2 To progress with the selection and appointment of the Co-opted Independent Members without delay.

#### **5 Report Background**

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- 5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised position statement for Local Authority Audit Committees and Police in 2022 stating that it is good practice for Local Authority Audit Committees to include at least two Co-opted Independent Members within its membership. This was endorsed by the Department for Levelling Up, Housing & Communities, the Home Office and other public sector bodies.
- 5.2 There is no legislative requirement to add these Co-opted Independent Members, but CIPFA identified this as good practice to supplement and fill any gaps in a committee's technical expertise. CIPFA expects all local government bodies should make their best efforts to adopt the principles within the statement, aiming for effective audit committee arrangements, enabling Local Authorities to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 5.3 Many Local Authorities include Co-opted Independent Members on their Audit Committees as this is seen as strengthening the internal control and governance of the authority. Co-opted Independent Members with appropriate skills and experience can supplement those of elected Members and improve the effectiveness of Audit Committees.
- 5.4 A number of other Committees within the Council benefit from the inclusion of Co-opted Independent Members including the People Overview and Scrutiny Committee, Northamptonshire Police and Crime Panel and the Democracy and Standards Committee. Each of these Co-opted Independent Members receive an annual allowance of £500.
- 5.5 Co-opted Independent Members on Audit Committees are non-councillors who are suitably qualified with experience in the area of audit/governance and bring specialist knowledge and insight to the workings and deliberations of the committee to provide:
  - An effective independent assurance of the adequacy of the risk management framework.
  - Independent review of the Council's financial and non-financial performance.
  - Independent challenge to, and assurance over, the Council's internal control environment.
- 5.6 Co-opted Independent Members would not have a vote in the same way as an elected Member of the committee and would form part of the committee in an advisory and consultative capacity only.
- 5.7 Good practice suggests that Co-opted Independent Members should be appointed for a term of no more than four years, and that they should generally not exceed two-terms. This ensures that new ideas and contributions can be added to the Committee semi-regularly.

## 6 **Issues and Choices**

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- 6.1 It is not a legal requirement to appoint Co-opted Independent Members, although it is CIPFA best practice which was endorsed by the Department for Levelling Up, Housing & Communities, the Home Office and other public sector bodies. CIPFA expects Local Authorities to use their best efforts to adhere to the principles set out within the statement, however, the Committee could choose not to make any changes to the Constitution if satisfied that existing Members demonstrate sufficient technical ability and expertise.

## 7 **Implications (including financial implications)**

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### 7.1 **Resources and Financial**

- 7.1.1 If the recommendation to amend the Constitution to add two Co-opted Independent Members to the Audit and Governance Committee is approved by Council, it is proposed to pay them an allowance in line with the allowance paid to the other Co-opted Independent Members of the Council (£500 per annum). This is subject to review and assessment by the Independent Remuneration Panel.

### 7.2 **Legal**

- 7.2.1 Section 102(3) of the Local Government Act 1972 stipulates that a committee which discharges a function of the Council can include co-opted members, except where it is a committee set up to regulate and control the finance of the local authority.
- 7.2.2 Section 13(1) of the Local Government and Housing Act 1989 provides that a co-opted member of a committee established under section 102 of the Local Government Act 1972, as a committee discharging the functions of the Council, must be a non-voting member meaning that any Co-opted Independent Member appointed to the Audit and Governance Committee would not hold voting rights and could attend the Committee in an advisory and consultative capacity only.
- 7.2.3 Co-opted Independent Members have similar rights (to elected Members) to access information and are subject to the obligations detailed within the Code of Conduct for Members.
- 7.2.4 The Local Authorities (Members' Allowances) (England) Regulations 2003 permit the Council to pay an allowance to a co-opted member of a Committee. The Council's Independent Remuneration Panel would be consulted in respect of any such allowance.

### 7.3 **Risk**

- 7.3.1 There are none specifically.

### 7.4 **Communication and Consultation**

- 7.4.1 Members of the Audit and Governance Committee were consulted on the proposal and were supportive of the addition of Co-opted Independent Members

### 7.5 **Consideration by Overview and Scrutiny**

7.5.1 Amendments to the Constitution regarding the appointment of Co-opted Independent Members to the Audit and Governance Committee are not considered necessary to be referred to Overview and Scrutiny.

## 7.6 **Climate Impact**

7.6.1 There are no immediate climate implications arising from this report.

## 7.7 **Community Impact**

7.7.1 There are no immediate community implications arising from this report.

## 8 **Background Papers**

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8.1 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022