

<b>SUBJECT:</b>	<b>AMENDMENT TO TERMS OF REFERENCE FOR AUDIT COMMITTEE</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>CAROLYN WHEATER, CITY SOLICITOR</b>

## **1. Purpose of Report**

- 1.1 To seek Council approval to amend the terms of reference in the Constitution to enable the appointment of an Independent Member as Chair of the Audit Committee.

## **2. Background**

- 2.1 The Audit Committee plays a vital role in providing review and scrutiny of the Council's control and governance arrangements and is a key element of its overall governance framework.

- 2.2 Independent Audit Committee Members are recommended in the 2022 CIPFA Guidance on Audit Committees and can be a valuable resource to the committee:

- They can fill skills gaps in the membership.
- They send a powerful message about the independence of the committee.
- They provide continuity and corporate memory for a committee where the membership changes frequently.

- 2.3 Whilst there is currently no legislative requirement to have any Independent Audit Committee Members or Chairs, it is recognised as good practice.

- 2.4 MHCLG have recently held a consultation on *Local Audit Reform: a strategy for overhauling the local audit system in England* which set out a proposed series of measures to improve the local audit system. This included seeking views on whether the Chair of the Audit Committee should be an independent member in order to rebuild confidence and value for money oversight. The outcome of this consultation was published in April, with responses to the consultation raising the merits of an independent chair, reinforcing the apolitical nature of Audit Committees and ensuring continued robust challenge and institutional knowledge during changes in political membership. It was however observed by some respondents that independent members can be difficult to recruit and mandating their role as chair could be challenging. In its response the Government, while not mandating the requirement at this stage, did commit to consider further the merits of mandating Audit Committee Chairs to be independent members.

- 2.5 The Audit Committee's current Terms of Reference provide for up to two Independent Members. At its meeting in July 2024, the Council approved the

appointment of two Independent Members for a fixed two-year term commencing on 1st September 2024, (with the option to extend up to a further two years each time, with a maximum term of eight years).

### **3. Appointment of an Independent Chair of the Audit Committee**

3.1 In order to appoint an Independent Chair of the Audit Committee the following points will need to be incorporated into the Audit Committee's Terms of Reference.

- In line with the Council's constitution, the Independent Chair will not have any voting rights which will mean they do not have a casting vote.
- The Independent Chair will be outside the political composition of the Audit Committee which is in line with the proportionality of the elected members of the Council.
- The Vice Chair of the Committee will be a Councillor and in the absence of the Independent Chair will act in the Chair for the duration of the meeting. In such circumstances, the Vice Chair in the Chair will retain their voting rights by virtue of being a Councillor.

Revised Terms of Reference for the Audit Committee are attached at Appendix A.

3.2 The level of remuneration for the Independent Chair is recommended to be set at £4,908 per year (based on the current Members' Allowances Scheme). This is in line with the current special responsibility allowance for the Chair of the Audit Committee and comparable with other councils that have made such an appointment.

3.3 The Independent Chair will be appointed for a two-year period, with the option to extend up to a further two years each time, with a maximum term of eight years. Ordinarily appointment will be by means of an advertisement with applicants considered by a panel of officers and representative members of the Audit Committee. Applications will be assessed against a Job Role and Person Specification, stating the skills, knowledge and other requirements for the role.

3.4 As the Council approved the appointment of two Independent Members to the Audit Committee in July 2024, for a fixed two-year term commencing on 1st September 2024, (with the option to extend up to a further two years each time, with a maximum term of eight years), the initial appointment of an Independent Chair will be ring-fenced to the existing Independent Members. Expressions of interest will be sought from both Members and assessed against the new Job Role and Person Specification. This assessment will be undertaken by the Chief Finance Officer, Internal Audit Manager and Portfolio Holder for Customer Experience, Review and Resources.

### **4. Strategic Priorities**

4.1 Internal control, governance and risk management arrangements are in place to help ensure the Council makes appropriate use of its resources and powers. The Audit Committee is a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and

control arrangements. They play an important role in supporting leadership teams and elected members and help the Council to achieve the priorities set out in the Vision 2030.

- 4.2 The appointment of an Independent Chair of the Audit Committee supplements the role of the elected members and improves the effectiveness of the Audit Committee.

## **5. Organisational Impacts**

### **5.1 Finance**

There are no financial implications as a result of this report.

### **5.2 Legal Implications Including Procurement Rules**

Although not a current legislative requirement, the MHCLG have recently consulted upon a series of measures to improve the local audit system and suggest appointing an Independent Member as Chair of Audit Committees.

### **5.3 Equality, Diversity and Human Rights**

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination.
- Advance equality of opportunity.
- Foster good relations between different people when carrying out their activities.

The appointment process will be undertaken in accordance with the Public Sector Equality Duty.

## **6. Risk Implications**

- 6.1 The proposals in this report are aimed at further strengthening the Council's already strong arrangements through its Audit Committee.

## **7. Recommendation**

- 7.1 Council is requested to;
- approve the amendment to Article 9 of the Constitution (Audit Committee Terms of Reference) to allow the appointment of an Independent Chair.
  - delegate the appointment of an initial Independent Chair to the Portfolio Holder for Customer Experience, Review and Resources.

**Is this a key decision?**

No

**Do the exempt information categories apply?**

No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?**

No

**How many appendices does the report contain?**

One

**List of Background Papers:**

None

**Lead Officer:**

Catherine Wilman – Democratic Services Officer  
[catherine.wilman@lincoln.gov.uk](mailto:catherine.wilman@lincoln.gov.uk)