

**MAIDSTONE BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**26 NOVEMBER 2012**

**REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES**

**Report prepared by Paul Riley**  
**Head of Finance & Customer Services**

**1. INDEPENDENT MEMBER OF AUDIT COMMITTEE**

1.1 Issue for Decision

1.1.1 To consider the options available to the Committee to obtain an independent view upon the issues that are under consideration by the Committee at its meetings.

1.2 Recommendation of Head of Finance & Customer Services

1.2.1 That Audit Committee considers the options set out in this report and decides upon the appropriate course of action in relation to obtaining independent advice.

1.3 Reasons for Recommendation

1.3.1 Following two unsuccessful attempts to appoint an independent member to the Audit Committee it was resolved that officers should seek and evaluate alternative methods of obtaining an independent view on matters under consideration.

1.3.2 An assessment of the actions taken by other Audit Committees shows that the only solution in operation is the appointment of an independent member to the Committee.

1.3.3 The appointment of an independent member is not a universal choice and some committees do not appoint any. The main choice is to appoint one independent member with some committees appointing more than one.

1.3.4 Should the Committee wish to obtain the desired independent advice, it will again be necessary to attempt to find a possible member through advertising and appointment of the most appropriate

candidate through interview.

- 1.3.5 Whilst considering its options Members should be aware of the proposals contained within the Government's Draft Local Audit Bill. This draft bill contains provisions for the authority to appoint its independent external auditor on the advice of an 'independent auditor panel'.
- 1.3.6 The independent auditor panel, as set out in the current draft of the bill, must have an independent chair and the majority of other members must be independent. As the role of the panel is an occasional one, to advise on the appointment of the external auditor, the bill suggests two possible options that are practical ways of achieving this:
  - a) To appoint a single panel to advise a group of authorities; or
  - b) Incorporate the function into the role of the Audit Committee, subject to membership of the Committee being suitable.
- 1.3.7 The bill is currently in draft and consultation was completed in August 2012. The results of this consultation are awaited but it is not expected that the outcome will produce change in this requirement.
- 1.3.8 Ultimately decisions regarding the independent auditor panel will be taken by Council at the appropriate time. The detail above is provided to aid the Committee consideration of the future use of independent members.
- 1.3.9 At this time it is considered to be most appropriate for the Committee to decide between the options of recommending the search for an independent member immediately or awaiting the outcome of the Draft Local Audit Bills progress before recommending the search.
- 1.3.10 If members were minded to recommence the search immediately, funding for an advertisement could be found from within existing resources within the finance section budget. In addition the advertisement could be placed on the Council's website.

#### 1.4 Alternative Action and why not Recommended

- 1.4.1 The Committee could choose to source independent advice on a case by case basis. The advice would be more related to the circumstance but the continuity between the Committee and a permanent independent member would be lost. In addition this option would be more expensive and no effective examples of this working in practice were found.

1.5 Impact on Corporate Objectives

1.5.1 The selection of an independent member would impact upon the Committee's work. If successful it would enhance governance and aid in the control of risk. These outcomes support the Corporate and Customer Excellence priority.

1.6 Risk Management

1.6.1 The failure to appoint an independent member could deprive the committee of valuable independent advice and increases the risk of the committee failing to identify a risk outside of the member's current experiences.

1.6.2 The appointment of an unsuitable independent member poses the same risk. However this risk would be enhanced if the Committee were to place reliance on the independent member's views if they lead to an incorrect action.

1.7 Other Implications

1.7.1

- 1. Financial
- 2. Staffing
- 3. Legal
- 4. Equality Impact Needs Assessment
- 5. Environmental/Sustainable Development
- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management


1.8 Relevant Documents

1.8.1 Background Documents

The Draft Local Audit Bill.

**IS THIS A KEY DECISION REPORT?**

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because: .....

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Wards/Parishes affected: .....

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