Havering
LONDON BOROUGH

GOVERNANCE COMMITTEE

Subject Heading:	**Appointment of an Independent Person to the Audit Committee**
ELT Lead:	Kathy Freeman, Strategic Director Resources
Report Author and contact details:	Maria Denton, Head of Assurance
Policy context:	This proposal supports the Council's Constitution, the Terms of Reference of both the Governance Committee and Audit Committee and contributes to the Council's wider commitment to good governance as reflected in the Annual Governance Statement and Local Code of Corporate Governance.
Financial summary:	The successful candidate will be entitled to any allowance approved by the Council for Independent Audit Committee Members. The financial impact of the appointment will be contained within existing governance budgets, subject to final determination of the allowance arrangements.

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well (X)
Place - A great place to live, work and enjoy (X)
Resources - Enabling a resident-focused and resilient Council (X)

SUMMARY

To seek approval to appoint an independent person to the Audit Committee.

RECOMMENDATIONS

The Governance Committee is asked to approve:

(a) the proposed recruitment arrangements for an Independent Person of the Audit Committee, including the involvement of the Audit Committee Chair and Vice Chair in the interview process.

(b) The Chair and Vice-Chair of Governance Committee (or substitutes) be involved in the selection process. However, if the Chair and the Vice Chair of the Governance Committee are unable to attend the selection process, to delegate the recommendation relating to the appointment directly to the Chair of the Audit Committee.

(c) The recommendation for the appointment of the successful candidate to be appointed as the Independent Person on Audit Committee be referred to full Council.

REPORT DETAIL

1. Background

1.1 Audit Committees are a key component of 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.

1.2 Independent members with appropriate skills and experience supplement those of the elected members and improve the effectiveness of the Audit Committee.

1.3 The proposal reflects current CIPFA best practice guidance, supports the effectiveness and independence of the Audit Committee, and anticipates forthcoming legislative changes which are expected to strengthen requirements relating to independent membership of local authority audit committees.

2. Background

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published its updated Position Statement on Audit Committees (2022), which recommends that local authority audit committees should include co-opted independent members to strengthen governance, enhance technical expertise and reinforce the committee's independence. CIPFA recommends that authorities appoint at least two independent members where legislation does not already require them.

2.2 CIPFA identifies several key benefits arising from the appointment of independent members, including:

- Supplementing the knowledge and experience of elected members in areas such as governance, finance, audit and risk management.
- Providing continuity outside of the political cycle.
- Supporting a non-political focus on governance, risk and control issues.
- Strengthening the effectiveness, resilience and credibility of the Audit Committee.

The inclusion of independent members is already a legislative requirement in certain sectors, including Combined Authorities in England and local authorities in Wales. CIPFA's guidance reflects a broader national direction of travel towards greater independence and enhanced audit committee arrangements.

3. Emerging Legislative Requirements

3.1 Government proposals for local audit reform include measures to strengthen audit committee arrangements and move towards a more consistent approach across the sector. MHCLG has indicated that further regulations will be issued in due course regarding independent audit committee members and associated governance arrangements.

3.2 While the detailed regulations have not yet been published, the Better Governance Forum at CIPFA has advised authorities to proceed using the existing Combined Authorities regulations as a guide to the recruitment and assessment of independence. The Combined Authorities framework provides a useful benchmark for assessing independence and ensuring transparency in appointment processes. Under these arrangements, independence is typically considered in relation to political activity, employment, contractual relationships and other connections that could compromise impartiality.

3.3 Acting now will position Havering to align with anticipated legislative requirements and demonstrate commitment to recognised good governance practices.

4. Proposed Recruitment Process

4.1 CIPFA's Better Governance Forum has advised that, with legislative changes anticipated, local authorities are likely to see increased competition in recruiting suitably qualified independent members. Early recruitment is therefore considered advantageous. Based on this advice the vacancy was advertised in July with a total of 14 applications received.

It is proposed that an interview panel comprise:

- Audit Committee Chair;
- Audit Committee Vice Chair; and
- Relevant senior officer(s), including the Monitoring Officer, Head of Assurance and/or Section 151 Officer (or their nominees).

Involvement of the Chair and Vice Chair reflects CIPFA best practice principles by ensuring that those responsible for leading the Audit Committee are directly involved in selecting a candidate with the appropriate skills, experience and independence to support the committee's work.

4.2 Their participation will also help ensure alignment between the committee's requirements and the expertise of the successful candidate, whilst maintaining a member-led appointment process. The Audit Committee have also already been provided with relevant training regarding their statutory responsibilities.

4.3 Under normal circumstances, appointments to committees and related positions are considered through the Council's annual appointments process. However, the recruitment of an Independent Audit Committee Member could not be incorporated within this year's annual appointments timetable due to the timing of the election period and the scheduling of the first meeting of the Audit Committee following those elections.

4.4 The proposed approach therefore provides an appropriate mechanism to progress the appointment outside the annual appointments cycle whilst ensuring robust governance and member involvement.

5. Conclusion

5.1 The appointment of an Independent Member represents an important opportunity to strengthen the effectiveness and independence of Havering's Audit Committee. The proposed recruitment process reflects CIPFA best practice, aligns with the direction of national audit reform, and will ensure that the Audit Committee's leadership is actively involved in selecting an appropriate candidate.

IMPLICATIONS AND RISKS

Financial implications and risks:

The successful candidate will be entitled to any allowance approved by the Council for Independent Audit Committee Members. The financial impact of the appointment will be contained within existing governance budgets, subject to final determination of the allowance arrangements.

Legal implications and risks:
The Governance Committee has responsibility under the Council's Constitution for interviewing candidates for independent member positions and making recommendations to Council regarding their appointment. The recommendations within this report are consistent with those constitutional responsibilities. The proposed involvement of the Audit Committee Chair and Vice Chair in the interview process would support, rather than replace, the Governance Committee's role in the appointment process. Audit Committee Members have been trained and inducted on the statutory role of the Audit Committee, therefore it is appropriate for the Audit Committee Chair and Vice Chair to be involved in the recruitment process and for the recommendation to be made to full Council.

The Council is seeking to align its arrangements with current CIPFA guidance and emerging national reforms relating to audit committees and independent membership. Whilst detailed regulations have not yet been issued by the Ministry of Housing, Communities and Local Government (MHCLG), the proposed approach is consistent with recognised sector best practice and is intended to support future compliance with anticipated legislative requirements.
There is a risk that failure to recruit an appropriately skilled and independent member may weaken the effectiveness of the Audit Committee and leave the Council less well positioned to respond to future legislative change.

Section 94 of the English Devolution and Community Empowerment Act 2026 inserted a new section (s.33A) into the Local Audit and Accountability Act 2014. The legislation requires relevant local authorities to have an audit committee and provides for regulations covering its membership. The new provisions require that at least one member of an audit committee is an independent person. The requirement will become compulsory on the commencement of regulations issued by the Secretary of State. The appointment reflects good practice since many local authorities have appoint independent persons for many years.

The functions of the Audit Committee are set out in the Local Audit and Accountability Act 2014, section 33A(3) and include:
(a) reviewing and scrutinising the authority's financial affairs,

(b) reviewing and assessing the authority's risk management, internal control and governance arrangements,

(c) reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions, and

(d) making reports and recommendations to the authority in relation to reviews conducted under paragraphs (a), (b) and (c) above.

Human Resources implications and risks:
The recruitment exercise will be undertaken in accordance with the Council's recruitment and selection procedures and supported by Human Resources as required.
The involvement of the Audit Committee Chair and Vice Chair in the interview process does not create any employee-related implications as the appointment is for a co-opted independent member position rather than an employee role.
There is a risk that the pool of suitably qualified candidates may be limited, particularly given increasing demand for independent audit committee members across the local government sector. Early recruitment is therefore considered beneficial.

Equalities implications and risks:
The Council is committed to ensuring that recruitment processes are fair, transparent and accessible to all eligible applicants.
The vacancy will be advertised openly and appointments will be made based on merit, skills, knowledge and experience relevant to the role. No adverse equality impacts have been identified arising from the recommendations contained within this report.
The recruitment process will be conducted in accordance with the Council's Equality, Diversity and Inclusion policies and the requirements of the Equality Act 2010. Any reasonable adjustments required by applicants during the recruitment process will be considered and accommodated where appropriate.

Background papers:

CIPFA Position Statement 2022
Job Profile – Independent Person Audit Committee