

FALKIRK COUNCIL

Subject: AUDIT COMMITTEE CONVENERSHIP AND APPOINTMENT OF LAY MEMBER
Meeting: FALKIRK COUNCIL
Date: 6 OCTOBER 2010
Author: CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 This purpose of this Report is to suggest a procedure for the recruitment and appointment of a lay member as Convener of the Audit Committee.

2. BACKGROUND

- 2.1 At the meeting of Falkirk Council on 23 June 2010, Members agreed the following in relation to the Audit Committee:

“to proceed towards appointing an external (lay) Member to chair the Committee and to instruct the Chief Executive to report to the next available meeting of Falkirk Council with a suggested process for making that appointment and with those amendments to the Scheme of Delegation as may be required to give effect to this decision.”

- 2.2 Four Scottish Councils have appointed lay members to their Audit Committees. These are Perth & Kinross, North Lanarkshire, Scottish Borders and West Dunbartonshire Councils.

3. RECRUITMENT PROCESS

- 3.1 It is recommended that the responsibility for the recruitment and selection of a lay member of the Audit Committee is delegated to a Selection Panel with a membership to be determined by Council. It is suggested that to maintain independence and impartiality that members of the Audit Committee may not be members of the Selection Panel.

3.2 Eligibility Criteria

It is recommended that Council agrees a clear person specification for the post and that, in order to assist in the selection process, the specified criteria are categorised as essential or desirable. A proposed person specification is attached at Appendix 1.

3.3 Qualities and Experience

CIPFA Guidance specifies that members of Audit Committees should be expected to:-

- Be financially aware, with an understanding of Local Authority financial, risk and control issues
- Hold a relevant academic qualification

- Have a good understanding of how the Council works and a broad understanding of the controls which exist or should exist
- Be able to distinguish between serious control weaknesses and those which are relatively minor
- Be confident about discussing audit findings with auditors and management

The Guidance also states that Conveners of Audit Committees should be expected to:

- Be prepared to encourage open, apolitical discussion at meetings and should not seek to restrict debate
- Have financial awareness and a broad understanding of the financial, risk and control and corporate governance issues facing the Council
- Have the ability to question, probe and seek clarification about complex issues

3.4 As a member of the Committee a Lay member would be expected to possess the qualities set out in the person specification as outlined at para 3.2.

3.5 Appointment Process

It is proposed that the appointment process to be followed is clear and structured. The proposed process will involve three stages and is likely to be undertaken over an 8 week period. A suggested timetable is attached as Appendix 2.

Stage 1 - Advertising

3.5.1 In order to attract a wide selection of candidates for the role it is recommended that the post is widely advertised with an advert placed the Council website, Local press, together with mailings to community/local organisations. It is also recommended that organisations within the private sector are targeted, such as the Falkirk Business Forum.

Stage 2 – Applications

3.5.2 Applications would be sought from interested parties and submitted to the Selection Panel for short-listing and appointment. In order to ensure consistency in the application process and to assist the Selection Panel assess candidates it is recommended that candidates are invited to apply using an application form.

Stage 3 - Appointment

3.5.3 As set out in para 3.1 above it is recommended that Council delegates the authority to select and appoint a lay convener to a Selection Panel. It would be a matter for Council to determine the composition of this Panel. However it is recommended that the panel is limited in size to no more than 5 members with a quorum of 3. It is also recommended that the membership of the Panel reflects the political balance of the Council, therefore in terms of the guidelines for political proportionality this should be (2 Labour, 2 SNP and either 1 Conservative or 1 Independent or the non-aligned Independent). In accordance with best practice those members who take part in the shortlisting of applicants should also make the final appointment.

4. CONDITIONS OF APPOINTMENT

4.1 Period of Appointment

Council should consider the length of term for appointment of lay member of the Audit Committee. It is recommended that the Convener is appointed for a fixed term. It is suggested that the initial appointment is made until the next local government elections which are due to take place in May 2012. Thereafter, any appointments of lay persons would be for a period of 5 years until 2017 and 4 years thereafter to reflect the time between Local Government Elections. Council may wish to consider whether to limit the length of time that a Convener may serve.

4.2 Remuneration

Council should consider the terms of any appointment and whether this would be offered on a voluntary basis or if any remuneration would be paid. Other Authorities who have appointed Lay members have offered the position on a voluntary basis with only expenses and subsistence reimbursed. It is recommended that Council adopts this approach.

4.3 Time Commitment

The Lay Member would be expected to attend the 3 scheduled meetings of the Audit Committee per calendar year. It would also be expected that they would attend relevant training and development events.

5. CHANGES TO STANDING ORDERS

5.1 In order to facilitate the appointment of a Lay Member to the Audit committee, a change would have to be made to the appropriate section of the Standing Orders. Standing Order 34.2 states that the Membership of the Audit Committee will be 6 and will have a quorum of 4 at any meeting. Council should consider whether it wishes to increase the number of Members on the Committee to accommodate the lay appointment i.e. to 7 Members. It would be appropriate to keep the quorum at 4 as in general the quorum for meetings is one third of the membership.

5.2 Standing Order 34.14 would also require to be changed to reflect that the Convener of the Audit Committee would be a lay person appointee, with an additional section added stating how this appointment is made.

5.3 A copy of the proposed amendments to the relevant sections of the Standing Orders is attached as Appendix 3.

6. RECOMMENDATIONS

Council is invited to agree:-

- (1) the process for the recruitment and selection of a lay person as Convener of the Audit Committee as outlined in the report;**

- (2) that the appointee should hold the post until the next Local Government Elections due to be held in May 2012;
- (3) that the post will not attract any form of remuneration, but would be voluntary with expenses and subsistence being reimbursed as appropriate, and
- (4) the changes to Standing Orders as detailed in Appendix 3.

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Chief Executive

Date: 28 September 2010

(Contact Officer: Brian Pirie, Democratic Services Manager, ext 6110).

LIST OF BACKGROUND PAPERS

Nil