

REPORT REFERENCE NO.	DSFRA/22/22
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	12 DECEMBER 2022
SUBJECT OF REPORT	APPOINTMENT OF INDEPENDENT MEMBERS TO THE AUDIT & GOVERNANCE COMMITTEE – FURTHER CONSIDERATIONS
LEAD OFFICER	Director of Governance & Digital Services
RECOMMENDATIONS	<i>That the Authority approves the proposed Term of Office as set out in Section 2 of this report for independent co-opted members appointed to the Audit & Governance Committee.</i>
EXECUTIVE SUMMARY	<p>At its meeting on 26 September 2022, the Authority was advised of the recommendation in the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 that the membership of audit committees of relevant authorities (including combined fire and rescue authorities) should include at least two independent co-opted members. The Authority was also advised of its legal powers to appoint co-opted members to Committees or Sub-Committees, subject to such co-opted members not exercising a vote (Report DSFRA/22/20 refers).</p> <p>The Authority resolved, amongst other things, to authorise the Clerk to undertake an appropriate process to identify suitable candidates, with the actual appointment delegated to the Appointments & Disciplinary Committee (Minute DSFRA/22/20 refers).</p> <p>This paper sets out other considerations relating to these appointments, in particular the term of office to be served.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable.
APPENDICES	Nil.
BACKGROUND PAPERS	<p>Report DSFRA/22/20 (Appointment of Independent Members to the Audit & Governance Committee) to the Authority meeting on 26 September 2022 (and the Minutes of that meeting).</p> <p>The UK Corporate Governance Code</p>

1. INTRODUCTION

- 1.1. At its last meeting the Authority was advised of the recommendation in the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 that the membership of audit committees of relevant authorities (including combined fire and rescue authorities) should include at least two independent co-opted members. The Authority was also advised of its legal powers to appoint co-opted members to Committees or Sub-Committees, subject to such co-opted members not exercising a vote (Report DSFRA/22/20 refers).
- 1.2. The Authority resolved, amongst other things, to authorise the Clerk to undertake an appropriate process to identify suitable candidates, with the actual appointment delegated to the Appointments & Disciplinary Committee (Minute DSFRA/22/20 refers).
- 1.3. This paper sets out other considerations relating to these appointments, in particular the term of office to be served.

2. PROPOSED TERM OF OFFICE FOR INDEPENDENT CO-OPTED MEMBERS ON THE AUDIT & GOVERNANCE COMMITTEE

- 2.1. While legislation allows for the Authority to appoint co-opted members to its Committees or Sub-Committees (subject to such co-opted members not exercising a vote), neither the legislation nor the CIPFA Position Statement (dealing specifically with the appointment of independent, co-opted members to audit committees) is prescriptive as to the term of office for such appointments. Consequently, it is suggested that this is a matter for the appointing authority to determine.
- 2.2. In determining the term of office, there are a number of factors that should be considered – in particular, issues relating to when someone may no longer be considered “independent” in terms of exercising their role together with practical considerations linked to seeking new or re-appointments.
- 2.3. To assist with this, consideration has been given to guidance contained in the UK Corporate Governance Code (the Code) produced by the Financial Reporting Council in relation to the appointment and term of office for non-executive directors. This Code provides that non-executive directors should, amongst other things, provide challenge and hold management to account. This is consistent with the requirements for the independent co-opted member role on audit committees as envisaged in the CIPFA Position Statement.
- 2.4. In terms of maintaining independence, the Code recommends that non-executive directors should serve for a maximum of nine years from the date of initial appointment, with re-appointment confirmed each year at the company annual general meeting.
- 2.5. Applying this to the appointment of two independent, co-opted Members to the Authority’s Audit & Governance Committee:

- The Authority has already resolved that the initial appointment be delegated to the Appointments & Disciplinary Committee;
- It is now proposed that:
 - the maximum term of office should be nine years; and
 - following initial appointment, re-appointment should be confirmed at each subsequent Authority annual meeting (subject to the maximum term of office).

2.6. Given that the initial appointments have yet to be made, it is also proposed that the first re-appointment should be confirmed by the Authority annual meeting in 2024.

2.7. It is also proposed that, in addition to the requirement for annual re-appointment, there should also be flexibility either for the Authority or post-holder to terminate the appointment at any time on providing one month's written notice.

3. CONCLUSION

3.1. The Authority has previously approved the appointment of two independent co-opted members to serve on its Audit & Governance Committee, in accordance with the recommendation in the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022.

3.2. The paper identifies other considerations in relation to these appointments, particularly in regard to the term of office of the appointees.

3.3. The Authority is asked to consider this report with a view to approving the term of office for independent co-opted members of the Audit & Governance Committee, as set out in Section 2.

MIKE PEARSON
Director of Governance & Digital Services