

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

1. CORE AREAS OF KNOWLEDGE

KNOWLEDGE AREA	DETAILS OF CORE KNOWLEDGE REQUIRED	HOW THE AUDIT COMMITTEE MEMBER IS ABLE TO APPLY THAT KNOWLEDGE	SELF ASSESSMENT (KNOWLEDGE) (Please indicate with X in the relevant box)			Areas for Improvement	Proposed Actions
			YES	PARTLY	NO		
1. Organisational Knowledge	<p>An overview of the governance structures of the authority and decision-making processes.</p> <p>Knowledge of the organisational objectives and major functions of the authority.</p>	<p>This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers.</p>	3	1		<p><i>Members require more information regarding governance structure and how the A & G Committee fits into that structure.</i></p>	<p><i>Member induction programme to include</i></p> <ul style="list-style-type: none"> <i>Generic overview of governance structures for all members. Additional focus on how the Audit & Governance Committee fits into that structure for all members of A & G Committee.</i> <i>Consider improving accessibility and insight into other committees e.g webcasting</i>
			4				

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

2. Audit Committee role and functions	<p>An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements</p> <p>Knowledge of the purpose and role of the audit committee</p>	<p>This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</p>	3	1		<p><i>Members require more information to improve understanding of the committee's role and how it should discharge its responsibilities.</i></p>	<p><i>Member Induction to include</i></p> <ul style="list-style-type: none"> <i>A review of the Terms of Reference for the A & G Committee so that members have an idea of what is involved</i> <i>Regular training programme to be introduced (2-3 sessions per year) to include worked examples of where an issue has been raised , how does this go through the system.</i>
3. Governance	<p>Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS</p> <p>Knowledge of the local code of governance</p>	<p>The Committee will review the local code of governance and consider how governance arrangements align to the principles in the framework</p> <p>The Committee will plan the assurances it is to receive in order to adequately support the AGS</p>	1	3		<p><i>Members need to be signposted to key documents/frameworks to ensure that they are reviewing the right work and obtaining relevant assurances to be able to sign off the Annual Governance Statement.</i></p>	<ul style="list-style-type: none"> Appointed members should, , be provided with copies or links to core documents that underpin the work of the committee before attending meetings. <p>Member induction should include training around:</p> <ul style="list-style-type: none"> Awareness of where to look for details if needed Know what is important and how it aligns to framework

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

		The committee will review the AGS and consider how the authority is meeting the principles of good governance.				
4. Internal Audit	<p>An awareness of the key principles of the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN)</p> <p>Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.</p>	<p>The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards</p> <p>The audit committee will review the assurances from internal audit work and will review the risk based audit plan. The Committee will also receive the annual report, including an opinion and information on conformance with professional standards.</p> <p>In relying on the work of internal audit, the committee will need to be confident that</p>	1	3		<p>Members require more information regarding understanding Internal Audit protocol and procedures.</p> <ul style="list-style-type: none"> Members induction to include an overview of Internal Audit protocol and procedures, including reporting and follow up of recommendations. Ongoing training to include an in depth review of an Internal Audit report as a case study, to assist members in understanding findings, recommendations and rationale for risk ratings assigned . Members to meet with Internal Audit Manager bi-annually to include a meeting prior to approving the Internal Audit Plan so that members fully understand the risk based methodology and criteria for

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

		<p>professional standards are being followed.</p> <p>The audit committee chair is likely to be interviewed as part of any external quality assessment and the committee will receive the outcome of the assessment and action plan.</p>				<p>selecting audit reviews. Opportunity to discuss concerns. Trends.</p> <ul style="list-style-type: none">Next review will be 2019/20. To ensure that new members are fully briefed regarding this process as part of Members induction.
5. Financial Management and Accounting	<p>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets the requirements of the</p>	<p>Reviewing the financial statements prior to publication, asking questions</p> <p>Receiving the external audit report and opinion on the financial audit</p> <p>Reviewing both external and internal audit recommendations relating to financial management and controls</p>	2	2	1	<p>Members require clarification around the how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and how this is met when reviewing the AGS.</p> <p>Members Induction to include training on Financial Management and Accounting . Head of Finance also to refer to this area during informal session on Statement of Accounts with members on 26/09/18.</p>

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

	role of the CFO, as required by <i>The Role of the Chief Financial Officer in Local Government (CIPFA, 2016)</i>	The audit committee should consider the role of the CFO and how this is met when reviewing the AGS.					
6. External Audit	<p>Knowledge of the role and functions of the external auditor and who currently undertakes this role.</p> <p>Knowledge of the key reports and assurances that external audit will provide</p> <p>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken</p>	<p>The audit committee should meet with the external auditor regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from audit process</p> <p>The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</p>	3	1		<p>Members require more training in this area to enable them to challenge and debate.</p> <p>More information required regarding the appointment of External Auditors and performance/quality monitoring undertaken.</p>	<ul style="list-style-type: none"> Members induction to include training on the role and functions of external audit and arrangements for the appointment of auditors. Members to meet with the External Auditors bi-annually outside of A & G Committee meetings.

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

7. Risk Management	<p>Understanding of the principles of risk management, including linkage to good governance and decision making</p> <p>Knowledge of the risk management policy and strategy of the organisation</p> <p>Understanding of risk governance arrangements including the role of members and of the audit committee.</p>	<p>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee.</p> <p>The committee should also review reports and</p>	1	3		<p>Members require further information around how risks are managed and understanding the risk management reports.</p> <p>Further assurances required regarding the assurance framework for Risk Management</p>	<ul style="list-style-type: none">• Risk Management Training to be provided to all members of the A & G Committee.• Consider Internal Audit of Risk Management for the 2019/20 Internal Audit Plan. How are risks managed

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

		action plans to develop the application of risk management practice.					
8. Counter Fraud	<p>An understanding of the main areas of fraud and corruption risk to which the organisation is exposed</p> <p>Knowledge of the principles of good fraud risk management practice in accordance with the <i>Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</i></p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</p> <p>An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</p>	2	1	1		<p>To build Fraud Awareness training into Member Induction programme and ongoing training .</p> <p>The Anti Fraud & Corruption framework is currently being reviewed (update to be provided to A & G Committee on 10/10/18). This will include a review of the organisations fraud strategy and associated policies and consider an annual report to committee regarding the controls in place to ensure management of fraud risks and adherence to the CIPFA code of practice.</p>
9. Values of good governance	<p>Knowledge of the Seven Principles of Public Life</p> <p>Knowledge of the authority's key arrangements to</p>	<p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS</p>	2	2		Members would like more information in this area.	Code of Conduct training Bulletin – updates /changes in law Case Studies
			2	2			

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

	<p>uphold ethical standards for both members and staff</p> <p>Knowledge of the whistleblowing arrangements in the authority</p>	<p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported</p>	2	2		<p>To include in member induction training .</p> <p>Review schedule of all Corporate Governance Policies and ensure members know how to access them if required.</p>
<p>10. Treasury Management (If within the Terms of Reference of the Committee to provide Scrutiny).</p>	<p>Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas are:</p> <ul style="list-style-type: none"> Regulatory requirements Treasury risks The organisation's 	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p>	2	2		<p>Members require more information and training in this area.</p> <p>What do members see to be able to provide Scrutiny on strategy v operational details</p> <p>Training on</p> <ul style="list-style-type: none"> What is the Treasury Function ? How to understand reserves? Investment Strategy v's what actually happens operationally <p>Training to be included within Local Government Finance Training (at induction and ongoing)</p>

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

	treasury management strategy <ul style="list-style-type: none"> The organisation's policies and procedures in relation to treasury management 						
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2. CORE SKILLS

SKILLS	KEY ELEMENTS	HOW THE AUDIT COMMITTEE MEMBER IS ABLE TO APPLY THE SKILL	SELF ASSESSMENT (SKILLS) (Please indicate with X in the relevant box)			TRAINING REQUIREMENTS	
			YES	PARTLY	NO		

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.	3	1	More training required regarding understanding how an expert/professional would approach issues . Understanding professional judgement	<ul style="list-style-type: none"> Ongoing training to include an in depth review of an Internal Audit report as a case study, to assist members in understanding findings, recommendations and rationale for risk ratings assigned and to build confidence with regard to asking questions/ challenging reports . Consideration to be given to issuing Higher risk (Grade 3) reports to members of the Audit & Governance Committee (outside of papers – not public documents)
Questioning and constructive challenge	<p>Able to frame questions that draw out relevant facts and explanations</p> <p>Challenging performance and seeking explanations while avoiding hostility or grandstanding</p>	<p>The audit committee will review reports and recommendations to address weaknesses in internal control.</p> <p>The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.</p>	2	2	Members need to understand where they need to ask questions in order to discharge responsibilities and achieve desired outcomes	<ul style="list-style-type: none"> Consider extending the Terms of Reference to explicitly allow the Committee to request attendance of relevant officers to A & G Committee where required.
Focus on Improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The outcome of the audit committee will be to secure improvements to the governance, risk management or control	3	1	Assurance process for risk management	As per Section 7 above

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

		<p>of the organisation , including clearly defined actions and responsibilities</p> <p>Where errors or control failures have occurred, then the audit committee should seek assurance that appropriate action has been taken.</p>					
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic	4			N/A	N/A
Clear communication skills and focus on the needs of users	Support the use of plain English in communications , avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience	4			N/A	N/A
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the	3	1			<p>As above :</p> <p>Ongoing training for A & G Committee members to include an in depth review of an Internal Audit report as a case</p>

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

		significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.				study, to assist members in understanding findings, recommendations and rationale for risk ratings assigned and to build confidence with regard to asking questions/ challenge reports
Meeting Management skills	Chair the meetings effectively: Summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.	3	1	Chairing skills – The chair needs to be able to engage the committee and encourage discussion	To be included within Member Induction programme

3. ADDITIONAL SPECIALIST KNOWLEDGE

The Cipfa guidance also makes reference to areas of specialist knowledge that will add value to the audit committee e.g. Accountancy, Internal Audit, IT systems and governance. As this area of the guidance is more aligned to the recruitment of independent members it has not been included within this self-assessment document. The CIPFA guidance also applies to Police bodies who are required to have an audit committee. It is common practice to have independent non-executive directors on a Police committee and they are often recruited with particular specialisms.

Whilst not considered to be a core requirement, collation of such information may be considered at a future date to assist in demonstrating added value in relation to the work undertaken by the Audit & Governance Committee. Additional specialist knowledge in these areas may assist in enhancing engagement between lay members and officers and improving understanding around the risks and challenges within service areas.

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

SUMMARY ACTION PLAN

Ref:	Action	Assigned to:	Timescale
1.	<p>Introduced a formalised Member Induction Programme to include</p> <p>For all members :</p> <ul style="list-style-type: none"> • Organisational Knowledge • Governance • Strategic thinking and understanding of materiality • Questioning and constructive challenge • Meeting Management Skills <p>For Audit & Governance committee members</p> <ul style="list-style-type: none"> • Organisational Knowledge – <i>(Additional focus on how the Audit & Governance Committee fits into the Governance structure)</i> • Audit Committee Role & Functions • Governance • Internal Audit (PSIAS, Internal Audit protocol) • Local Government Finance (Financial Management & Accounting (including Treasury Management)) • External Audit • Risk Management • Counter Fraud 	<p>Democratic Services in conjunction with</p> <ul style="list-style-type: none"> • Head of Finance • Internal Audit Manager • Head of Legal & Commercial Services • Strategic Director of Housing & Customer Services. 	May 2019

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

2.	Review schedule of all Corporate Governance Policies and ensure members know how to access them if required.	Head of Legal and Commercial Services / Legal Services Team Manager	TBC
3.	Appointed members to be provided with copies or links to core documents that underpin the work of the committee before attending meetings.	Democratic Services	December 2018 (for existing members) and on induction of new members 2019
4.	Additional training sessions to be held 2-3 times per year to include: (See Table 1 for potential training areas).	Officers / Internal Audit/External Audit	TBC
5.	Consideration to be given to issuing Higher risk (Grade 3) reports to members of the Audit & Governance Committee (outside of papers – not public documents)	To be considered by CLT	TBC
6.	The Chair and members of the A & G Committee should have the opportunity to meet with both the Internal Audit Manager and External Audit Manager outside of the Committee cycle.	A & G Committee – As requested	TBC (bi-annually) /as required
7.	The Terms of reference (TOR) for the A & G Committee should be reviewed and updated in line with CIPFA recommended TOR.	A & G Committee Working Group	October 2018
8.	Where possible reports presented to the A & G Committee to include an overview within the report or presentation to members providing details regarding the purpose of the report, how the report was compiled , impact etc;	Officers of the A & G Committee	December 2018
9.	Consideration should to be given to improving accessibility and insight regarding other committees (e.g web casting)	TBC	TBC

AUDIT COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK

10.	The A & G Committee should produce an annual report on the work of the committee throughout the year.	Input by all members of the A & G Committee. Ownership of report to be confirmed.	March 2019
11	A self- assessment and knowledge and skills audit should be undertaken on a regular basis	All members of the A & G Committee	September 2018 and then annually

TABLE 1:

Potential Training Topics

- Reviewing and approving the Annual Statement of Accounts and Annual Governance Statement;
- Evaluating the adequacy and effectiveness of the Council's financial and operational policies and procedures (including financial and accounting management)
- Reviewing the findings of both Internal and External Audit examinations and ensuring that appropriate action is taken to remedy weaknesses identified; (To include case studies re: Internal Audit reports, looking at rationale for risk ratings etc;)
- Monitoring the effective development and operation of risk management
- Reviewing and monitoring Governance arrangements/Good Governance Framework/ Code of Corporate Governance /Constitution

Options for training are:

- Inclusion of a training item (in the form of a short presentation) on the agenda for committee meetings;
- Separate training sessions in addition to the normal committee schedule;
- Provision of briefing notes on specific subjects/roles.

- *It is anticipated that training will be arranged / delivered by officers of the Council and/or external auditors.*