

Audit Committee members knowledge and skills framework

Scores: 1. Improvement Required 2. Acceptable 3. Good 4. Excellent

| Core areas of knowledge | Details of core knowledge required | How the Audit and Governance Committee member is able to apply the knowledge | Score 1 - 4 |
|---|---|--|----------------|
| 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 of the Council’s Constitution and the Committee’s Terms of Reference within, is core to the activities of the Audit and Governance Committee which includes the review and challenge of the Annual Statement of Accounts, Annual Governance Statement, internal and external audit reports, treasury management and risk management reports.</p> | |
| Audit and Governance Committee role and functions | <p>An understanding of the Audit and Governance 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 and Governance 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> | |
| Governance | <p>Knowledge of the seven principles of the CIPFA / SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS).</p> <p>Knowledge of the local code of corporate governance (LCCG).</p> | <p>The Committee reviews, considers, challenges and approves the AGS and LCCG annually, which provides the assurance that the seven principles of the CIPFA guide are being met. The Committee also receives progress updates on actions taken to address the improvement areas identified as part of the annual review.</p> | |

| Core areas of knowledge | Details of core knowledge required | How the Audit and Governance Committee member is able to apply the knowledge | Score 1 - 4 |
|-------------------------------------|---|--|----------------|
| Internal Audit | <p>An awareness of the key principles of the Public Sector Internal Audit Standards (PSIAS) and the <i>Local Government Application Note</i>.</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 and Governance Committee has approved the Internal Audit Charter and Code of Ethics which conforms to the PSIAS.</p> <p>The Committee receives awareness briefings and training regarding the role of internal audit as required.</p> <p>The Committee reviews the assurances from internal audit work and contributes and approves the annual risk-based audit plan. The Committee also receives the Chief Internal Auditor’s annual report, including the opinion on the control environment and information on conformance with professional standards.</p> <p>The Committee was provided with the outcome of the external review of the effectiveness of the Internal Audit function (100% conformance) that was undertaken in May 2015. The next external assessment is due in 2020.</p> | |
| 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 role of the Chief Financial Officer (CFO), as required by the <i>CIPFA</i></p> | <p>The Committee:</p> <ul style="list-style-type: none"> ➤ reviews and challenges the financial statements prior to publication. ➤ receives and challenges the external audit report and opinion on the financial audit. ➤ reviews and challenges both external and internal audit reports relating to financial management and controls. | |

| Core areas of knowledge | Details of core knowledge required | How the Audit and Governance Committee member is able to apply the knowledge | Score 1 - 4 |
|-------------------------|---|--|----------------|
| | <p><i>Statement on the Role of the Chief Financial Officer in Local Government (CIPFA 2016)</i></p> | <ul style="list-style-type: none"> ➤ Receives relevant financial training as required. <p>The role of the CFO is included within the Annual Governance Statement which is approved by the Committee.</p> | |
| <p>External Audit</p> | <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 Committee:</p> <ul style="list-style-type: none"> ➤ receives and challenges the external audit reports and opinions. ➤ Monitors the relationship with internal audit to ensure co-ordination/avoid duplication. <p>Receives awareness briefings and training sessions from the external auditor as required.</p> | |
| <p>Risk Management</p> | <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 the Audit and Governance Committee.</p> | <p>In reviewing the Annual Governance Statement and the Annual report on Risk Management Activity, the Committee considers the robustness of the authority’s risk management arrangements and should also have awareness of the major risks the authority faces..</p> <p>The Committee input to and reviews the corporate Risk Management Policy Statement and Strategy.</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of committee agenda items, including the risk-based internal audit plan, external audit plans, and the explanatory foreword of the accounts.</p> | |

| Core areas of knowledge | Details of core knowledge required | How the Audit and Governance Committee member is able to apply the knowledge | Score 1 - 4 |
|---------------------------|--|---|----------------|
| | | <p>Risk registers are used to inform these plans.</p> <p>The Committee receives awareness briefings and training regarding the risk management arrangements as required.</p> | |
| 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 Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</p> <p>Knowledge of the organisation’s arrangements for tackling fraud.</p> | <p>The Committee reviews the authority’s Anti Fraud and Corruption Policy Statement and Strategy and receives quarterly progress reports on fraud and irregularity work undertaken by internal audit.</p> <p>An assessment of arrangements for managing the risk of fraud is documented within the Annual Governance Statement which is approved by the Committee.</p> | |
| Values of Good Governance | <p>Knowledge of the Seven Principles of Public Life.</p> <p>Knowledge of the authority’s key arrangements to uphold ethical standards for both members and staff.</p> <p>Knowledge of the whistleblowing arrangements in the authority.</p> | <p>The Committee members draw on this knowledge when reviewing governance issues and the Annual Governance Statement.</p> <p>Oversight of the effectiveness of whistleblowing is part of the committee’s terms of reference.</p> <p>The Committee members are aware to whom concerns should be reported i.e the Monitoring Officer and/or the Chief Internal Auditor.</p> | |

| Core areas of knowledge | Details of core knowledge required | How the Audit and Governance Committee member is able to apply the knowledge | Score 1 - 4 |
|---|--|--|----------------|
| <p>Treasury Management (only if it is within the terms of reference of the committee to provide scrutiny)</p> | <p><i>Effective Scrutiny of Treasury Management</i> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are:</p> <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation’s treasury management strategy the organisation’s policies and procedures in relation to treasury management. | <p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p> <p>The Committee receives awareness briefings and training regarding the treasury management arrangements as required.</p> | |