

Report sponsor: Chair of Audit & Accounts
Committee
Report author: Head of Internal Audit

Committee Training

Purpose

- 1.1 To promote the discussion of potential areas for future training and development for Committee Members, based on the findings from the Committee self-assessment and the individual knowledge/skills gap exercise.

Recommendations

- 2.1 To discuss the outcome of the individual knowledge/skills gap assessment based on the CIPFA Framework and determine if there is a need to include such areas in the 2020/21 Committee training programme.
- 2.2 To determine if the proposed areas for Committee training sessions suggested by the Chair of Committee in paragraph 4.5 of this report should be included in the Committee's training plan for 2020/21.

Reasons

- 3.1 There needs to be a commitment from all Committee Members to participate in training and development to ensure that their knowledge is kept up to date. The Council should establish a programme of support that involves induction training, regular briefings and updates as well as formal training programmes.

Supporting information

- 4.1 Each year the Chair and Vice-Chair, in conjunction with the S151 Officer and the Head of Internal Audit, develop a training and development programme for the Committee. A programme for 2020/21 is yet to be developed, although a training session for Committee members on the statement of accounts was held on 16th September 2020.
- 4.2 The 2017/18 self-assessment recognised that the Committee needed to carry out a skills and knowledge assessment for each of the Members at the beginning of each municipal year. This action had not been completed by February 2020 and it was agreed by Committee that this would be picked up as part of the self-assessment exercise in 2020.

- 4.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has provided practical guidance for Audit Committees in local authorities to help develop the Committee's effectiveness. This guidance document also sets out a knowledge and skills framework for Audit Committee Members and the Committee Chair. This can be used to guide Members on their training needs and to evaluate the overall knowledge and skills of the Committee. A distinction is made between core areas of knowledge that all Audit Committee Members should seek to acquire and a range of specialisms that can add value to the committee.
- 4.4 The Chair wants to use this framework to inform the Committee's future training and development programme. A template based on this framework was sent to all Members of the Committee on 11 September 2020. The intention was that members would identify the level of skills they believe they have in each "knowledge area" based on the core knowledge required (as set out in the framework), as well as highlighting those areas where they feel they require further development/training. The gaps would be notified to the Head of Internal Audit prior to this Committee Meeting and used to determine any common areas for development and training that could be built into a training plan for 2020/21. Individual development needs will be addressed by the Head of Internal Audit on a one to one basis.
- 4.5 The Chair has identified the following areas as potential training sessions for 2020/21:
- External Audit
 - Fraud risk
 - Internal audit

Members are asked to consider other potential areas for training and development.

Public/stakeholder engagement

- 5.1 None

Other options

- 6.1 None

Financial and value for money issues

- 7.1 None

Legal implications

- 8.1 None

Other significant implications

- 9.1 None

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal Finance Service Director(s) Report sponsor Other(s)	Chair of Audit & Accounts Committee	17 Sept 20

Background papers:	None
List of appendices:	Appendix 1 – CIPFA Knowledge/Skills Framework

Audit committee members – knowledge and skills framework

TABLE 1: CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
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>	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
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>	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
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> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance</p>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<p>An awareness of the key principles of the PSIAS and the 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 professional standards are being followed</p> <p>The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan</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 CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018)</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> <p>The audit committee should consider the role of the CFO and how this is met when reviewing the AGS</p>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
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>
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.</p> <p>Typically, risk registers will be used to inform the committee</p> <p>The committee should also review reports and action plans to develop the application of risk management practice</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 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</p>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
	Knowledge of the organisation's arrangements for tackling fraud	practice will support the audit committee member in reviewing that assessment
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 audit committee member will draw on this knowledge when reviewing governance issues and the AGS</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS.</p> <p>The audit committee member should know to whom concerns should be reported</p>
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<p>Effective Scrutiny of Treasury Management 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 	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny

TABLE 2: SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Accountancy	Professional qualification in accountancy	<p>More able to engage with the review of the accounts and financial management issues coming before the committee</p> <p>Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues</p> <p>More able to engage with the external auditors and understand the results of audit work</p>
Internal audit	Professional qualification in internal audit	<p>This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing</p> <p>The committee would be more able to provide oversight of internal audit and review the output of audit reports</p>
Risk management	<p>Risk management qualification</p> <p>Practical experience of applying risk management</p> <p>Knowledge of risks and opportunities associated with major areas of activity</p>	<p>Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice</p> <p>Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers</p>
Governance and legal	Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law	Legal knowledge may add value when the committee considers areas of legal risk or governance issues

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Service knowledge relevant to the functions of the organisation	<p>Direct experience of managing or working in a service area similar to that operated by the authority</p> <p>Previous scrutiny committee experience</p>	Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context
Programme and project management	Project management qualifications or practical knowledge of project management principles	Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews
IT systems and IT governance	Knowledge gained from management or development work in IT	Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls

TABLE 3: CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
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
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>	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility	<p>The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities</p> <p>Where errors or control failures have occurred, then the audit committee should seek assurances 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
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
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

Skills	Key elements	How the audit committee member is able to apply the skill
		about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views
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