

AUDIT COMMITTEE - SKILLS AND KNOWLEDGE AUDIT

Guidance Notes

Audit Committee agreed to complete training plans when it accepted all the LGA regional advisor's recommendations following a review of the Committee's effectiveness. A key role of the Committee is considering whether it has sufficient evidence to be assured that the Council is meeting expectations set out in the Local Code of Corporate Governance which sets out the systems and processes that should be in place to ensure compliance with the following principles:

- behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- ensuring openness and comprehensive stakeholder engagement.
- defining outcomes in terms of sustainable economic, social and environmental benefits.
- determining the interventions necessary to optimise the achievement of the intended outcomes.
- developing the entity's capacity, including the capability of its leadership and the individuals within it.
- managing risks and performance through robust internal control and strong public financial management; and
- implementing good practices in transparency, reporting, and audit to deliver effective accountability.

To do this the Committee needs to understand the areas of corporate governance that are in place to ensure compliance with these principles. This self-assessment will assist you to identify where you have development needs. The results of this will be a tailored training plan to be delivered to you over the next 12 months as well as generic mandatory training that will be delivered to all Committee members.

The table below sets out the knowledge and skills framework that CIPFA recommends an Audit Committee member should have in its 2022 guidance entitled 'Audit Committees: practical guidance for local authorities and police'.

AUDIT COMMITTEE MEMBER - SKILLS AND KNOWLEDGE AUDIT

Identifying your development needs

Councillor Name -

Date -

Knowledge Area	Details of Core Knowledge required	How the Audit Committee Member role is able to apply the knowledge	Member assessment of competency against the core knowledge required
Organisational knowledge	<ul style="list-style-type: none"> An overview of the authority's governance structures and decision-making processes. Knowledge of the organisational objectives and major functions of the authority. 	<ul style="list-style-type: none"> This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers. 	
Audit committee role and functions	<ul style="list-style-type: none"> 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. Knowledge of the purpose and role of the audit committee. 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. It will help the committee undertake a self-assessment and prepare its annual report. 	
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles as outlined in Delivering Good Governance in Local Government: Framework CIPFA/Solace, 	<ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework. The committee will plan the 	

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	<p>2016).</p> <ul style="list-style-type: none"> • The requirements of the AGS. • How the principles of governance are implemented locally as set out in the local code of governance. 	<p>assurances it is to receive to adequately support the AGS.</p> <ul style="list-style-type: none"> • The committee will review the AGS and consider how the authority is meeting the principles of good governance. • The committee will receive audit reports and information on risks relating to governance 	
Internal audit	<ul style="list-style-type: none"> • An awareness of the key principles of the PSIAS and the LGAN. • Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. • How the role of the head of internal audit is fulfilled. • Details of the most recent external assessment and level of conformance with the standards. • Internal audit's strategy, plan and most recent annual opinion. 	<ul style="list-style-type: none"> • The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. • 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. • In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. • 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. 	

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Financial management and financial reporting	<ul style="list-style-type: none"> • Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • An understanding of good financial management practice as set out in the CIPFA Financial Management Code (FM Code) and the level of compliance with it. • 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 Role of CFOs in Policing (2021). • An overview of the principal financial risks the authority faces. 	<ul style="list-style-type: none"> • Reviewing the financial statements prior to publication, asking questions. • Receiving the external audit report and opinion on the financial audit. • Reviewing both external and internal audit recommendations relating to financial management and controls. • The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS. 	
External audit	<ul style="list-style-type: none"> • Knowledge of the role and functions of the external auditor and who currently undertakes this role. • Knowledge of the key reports and assurances that external audit will provide. 	<ul style="list-style-type: none"> • The audit committee will meet with the external auditor regularly and receive their reports and opinions. • Monitoring external audit recommendations and maximising the benefit from the audit process. • The audit committee should monitor the relationship between the external 	

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	<ul style="list-style-type: none"> • Familiarity with the auditor's most recent plan and the opinion reports. • Knowledge about arrangements for the appointment of auditors and quality management undertaken. 	<p>auditor and the authority and support the delivery of an effective service.</p>	
Risk management	<ul style="list-style-type: none"> • Understanding of the principles of risk management, including how it supports good governance and decision making. • Knowledge of the risk management policy and strategy of the organisation. • Understanding of risk governance arrangements, including the role of members and of the audit committee. • Knowledge of the current risk maturity of the organisation and any key areas of improvement. 	<ul style="list-style-type: none"> • In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements. • Awareness of the major risks the authority faces is necessary to support the review of several 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. • The committee should also review reports and action plans to develop the application of risk management practice. 	
Counter fraud	<ul style="list-style-type: none"> • An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. • Knowledge of the principles of good fraud risk management practice in 	<ul style="list-style-type: none"> • 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. • An assessment of arrangements 	

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	<p>accordance with the Code of Practice on Managing</p> <ul style="list-style-type: none"> the Risk of Fraud and Corruption (CIPFA, 2014). Knowledge of the organisation's arrangements for tackling fraud. 	<p>should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</p>	
Values of good governance	<ul style="list-style-type: none"> Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (e.g. code of conduct). Knowledge of the whistleblowing arrangements in the authority. 	<ul style="list-style-type: none"> The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. 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. 	
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures 	<ul style="list-style-type: none"> Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny. 	



Appendix 1

Knowledge Area	Details of Core Knowledge required	How the Audit Committee Member role is able to apply the knowledge	Member assessment of competency against the core knowledge required
	<p>in relation to treasury management.</p> <p>See also Treasure your assets (Centre for Governance and Scrutiny, 2017).</p>		