

AUDIT AND GOVERNANCE COMMITTEE

26 JULY 2018

MEMBER DEVELOPMENT

Recommendation

- 1. The Chief Financial Officer recommends that the Committee consider the proposed development programme for the Committee, and seeks the Committee's view on how to progress development of the Committee members.**

Purpose of Report

2. A key requirement of an effective Audit Committee is well-informed members that collectively have some knowledge and experience of the key areas to be considered by the Committee. Appropriate and timely training for Members is an important way of ensuring Members are well prepared and gain the knowledge and experience needed to carry out their role effectively. In response to comments made at previous meetings this report sets out a number of options for the development of Members of the Audit and Governance Committee.

Background

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) in their guidance for audit committees sets out a knowledge and skills framework for audit committee members and the committee chair which is summarised in the Appendix. The guidance draws a distinction between core areas of knowledge that all audit committee members should seek to acquire, core skills and a range of specialisms that can add value to the committee.

4. There is a range of knowledge and experience that audit committee members can bring to the committee and which will enable it to perform effectively. Elected members bring knowledge of the organisation, its objectives and policies to the audit committee. Members who are also involved in scrutiny or standards offer additional knowledge of activity, risks and challenges affecting those areas.

5. When preparing a programme of training for members it is of course necessary to also consider the other demands on Members time. Training could be clustered so that several topics are dealt with in a day or half day session. It may be difficult for some Members to attend full / half day training sessions and a briefing on the same day as a scheduled meeting of the committee would be more appropriate. This could be short say, one hour, topic based, briefing sessions either prior to or after meetings of the Committee and could be linked to items on the agenda. A full day or half day sessions would open up the possibility of using an external training provider, such as CIPFA or the Institute of Internal Auditors (IIA). Although this would clearly incur

additional costs it may be a more effective option for the Core Skills element of a development programme.

6. Some “induction” type training would be appropriate for any new appointments to the Committee as soon as possible after the appointment is confirmed. This could cover the committee’s remit, the environment in which it operates and the rights and duties of its members. New members could be introduced to the relevant codes of practice, the authority’s most recent annual report and accounts, and be given a briefing on the role of internal and external audit. This could be organised as part of the general member induction programme at the start of a new Council or on an ad-hoc basis when a new member is appointed to the Committee.

Proposal

7. A draft training plan has been developed for members to consider. This is in two parts:

- A half-day session covering the core skills needed by all members, as outlined in the Appendix, on a date to be agreed during 2018/19. It is suggested that this is delivered by an external trainer.
- A series of one hour briefings immediately before a scheduled meeting of the meeting starting with the September meeting. These would be delivered by the relevant officer and would cover the core knowledge areas required by all members. The suggested sessions are:

Topic	Date	Outline content
Role of the audit committee – one hour	September 2018 - one hour	What makes an audit committee successful. CIPFA guidance. Why is a committee needed – past governance failures such as Enron. Difference between audit and scrutiny. Overview of role.
Process & control environment, including decision making and the role of audit	October 2018 – half day	Review how systems operate, where controls need to apply and how they should be being applied. Assess the role of the constitution and how Audit Committee fits within that and decision making, as well as how are the Financial and Procurement Regulations applied. Introduction to internal audit standards, strategic planning process, audit process. Three lines of defence model. The committee’s role. Reviewing the role of the external auditor, auditing standards, reporting and materiality.
Corporate Governance and Risk Management	December 2018 – one hour	Risk management policy, strategy and process. The corporate risk register. AGS process. The committee’s role. CIPFA / Society of Local

		Authority Chief Executives (SOLACE) framework.
Budget setting – all councillors	January 2019 – 2 hour session	Review the budget setting process
Accounts	March 2019 – one hour	Reviewing the annual accounting policies, changes from 2017/18 and key accounting statements.
Fraud	June 2019 - half day	Key fraud risk areas. Anti-fraud strategy. Disciplinary process. The Committee's role.
Treasury Management	July 2019 – one hour	Assess the role of the Council in setting a prudent Treasury Management function.

Conclusion

8. So that officers can firm up a skills development programme, Members are asked for their views in relation to the following specific questions:

- Should training mainly consist of briefings before / after meetings of the Committee or should training be provided through half-day sessions?
- If the Committee's preference is for a briefing prior to meetings what is preferred start time?
- Is the programme suggested in paragraph 7 acceptable?
- What further topics would Members suggest for future sessions?

Supporting Information

Appendix – Audit committee members – knowledge and skills framework

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Organisational knowledge	An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority.
Audit committee role and functions	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.
Governance	Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS. Knowledge of the local code of governance.
Internal audit	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 how the role of the head of internal audit is fulfilled.
Financial management and accounting	Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. 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
External audit	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. Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken
Risk management	Understanding of the principles of risk management, including linkage to 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.
Counter fraud	An understanding of the main areas of fraud and corruption risk to which the organisation is exposed. 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. Knowledge of the organisation's arrangements for tackling fraud.
Values of good governance	Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

Knowledge area	Details of supplementary knowledge
Accountancy	Professional qualification in accountancy
Internal audit	Professional qualification in internal audit
Risk management	Risk management qualification. Practical experience of applying risk management. Knowledge of risks and opportunities associated with major areas of activity.
Governance and legal	Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law.
Service knowledge relevant to the functions of the organisation	Direct experience of managing or working in a service area similar to that operated by the authority. Previous scrutiny committee experience.
Programme and project management	Project management qualifications or practical knowledge of project management principles.
IT systems and IT governance	Knowledge gained from management or development work in IT.

CORE SKILLS

Skills	Key elements
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side tracked by detail.
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding.
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.
Able to balance practicality against theory	.Able to understand the practical implications of recommendations to understand how they might work in practice.
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.
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.