

## AUDIT & GOVERNANCE COMMITTEE MEMBERS – KNOWLEDGE AND SKILLS FRAMEWORK (CIPFA)

| <b>CORE AREAS OF KNOWLEDGE</b> |                                    |   |  |
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|                                | <b>KNOWLEDGE AREA</b>              | <b>DETAILS OF CORE KNOWLEDGE REQUIRED</b>   | <b>HOW THE AUDIT COMMITTEE MEMBER IS ABLE TO APPLY THAT KNOWLEDGE</b>  |
| 1                              | ORGANISATIONAL KNOWLEDGE           | <p>An overview of the governance 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.   |
| 2                              | AUDIT COMMITTEE ROLE AND FUNCTIONS | <p>An understanding of the audit committee's role and place within the governance structures.</p> <p>Familiarity with the committee's terms of reference and accountability arrangements 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.  |
| 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> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</p> |

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| 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 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> |
| 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 role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016)</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>   |

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| 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>  |
| 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 action plans to develop the application of risk management practice.</p> |
| 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 fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud</p>   |

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|    |                           | 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>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>                    |
| 9  | 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. The audit committee member should know to whom concerns should be reported.</p> |
| 10 | TREASURY MANAGEMENT       | <p>Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management.</p> <p>The key knowledge areas are:</p> <ul style="list-style-type: none"> <li>• Regulatory requirements</li> <li>• Treasury risks</li> <li>• The organisation's treasury management strategy</li> <li>• The organisation's policies and procedures in relation to treasury management.</li> </ul> | <p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p>  |

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| <b>CORE SKILLS</b> |   |  |   |
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|                    | <b>SKILLS</b>                                       | <b>KEY ELEMENTS</b>  | <b>HOW THE AUDIT MEMBER IS ABLE TO APPLY THE SKILL</b>  |
| 1                  | STRATEGIC THINKING AND UNDERSTANDING OF MATERIALITY | Able to focus on material issues and overall position, rather than being side tracked by detail.   | <p>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.</p> <p>The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.</p>                             |
| 2                  | 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>  |
| 3                  | 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 assurance that appropriate action has been taken.</p> |
| 4                  | 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   |

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| 5 | CLEAR COMMUNICATION SKILLS AND FOCUS ON THE NEEDS OF THE 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.  |
| 6 | OBJECTIVITY  | Evaluate information on the basis of evidence presented and avoiding bias or subjectivity   | <p>The audit committee will receive assurance reports and review risk registers.</p> <p>There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.</p> |
| 7 | 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.  |