



Audit and Risk Committee

14 March 2016

Report title	Audit and Risk Committee Members: Knowledge and Skills Framework	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
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Report to be/has been considered by	Not applicable	

Recommendation(s) for action or decision:

The Committee is asked to:

1. Complete the Members knowledge and skills framework exercise and return it before the next Audit and Risk Committee.

1.0 Purpose

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities, recommend that an Audit Committee should carry out a regular review of its performance and effectiveness, alongside a number of other self-assessment activities. The first stage of this exercise has already been completed by the committee, and members are now asked to move on to stage 2 – the completion of a Members knowledge and skills framework checklist.

2.0 Background

- 2.1 This self-assessment exercise forms part of a three stage review, which in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities, includes the following activities:

Self-assessment exercise - Completed

Members of the committee were asked to complete the self-assessment exercise at the Audit Committee meeting in September 2015. The results were then summarised and reported back at the December 2015 meeting.

Members knowledge and skills framework

The knowledge and skills framework checklist can be found at Appendix A. As part of the second stage of the process, members of the committee are asked to please complete this checklist and return it by the end of April 2016. The results will then be collated and reported back to the next meeting.

Evaluating the effectiveness

Once the above framework exercise has been completed, a more detailed "evaluating the effectiveness of the committee" exercise will be undertaken at a later meeting.

3.0 Progress, options, discussion, etc.

- 3.1 This exercise is taking place in three stages. Following each stage, the results will continue to be summarised and presented at the next meeting. The results will also help drive a more structured future training programme and action plan for the committee.

4.0 Financial implications

- 4.1 There are no financial implications arising from the recommendations in this report.
[MK/01032016/Z]

5.0 Legal implications

- 5.1 There are no legal implications arising from the recommendations in this report.
[TS/O4032016/H]

6.0 Equalities implications

6.1 There are no equalities implications arising from the recommendations in this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from the recommendations in this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from the recommendations in this report

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendations in this report.

10.0 Schedule of background papers – None

Audit and Risk Committee Members: Knowledge and Skills Framework

Appendix A

Member Date

Core areas of knowledge

Knowledge Area	Details of core knowledge required	How the Audit and Risk Committee member is able to apply the knowledge	Audit and Risk Committee Member comments
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	This knowledge will be core to most activities of the Audit and Risk Committee including review of the Annual Governance Statement, internal and external Audit reports and risk registers	
Audit and Risk Committee role and functions	An understanding of the Audit and Risk 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 and Risk Committee	This knowledge will enable the Audit and Risk 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	Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance.	The committee will plan the assurances it is to receive in order to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance.	
Internal audit	An awareness of the key principles of the <i>Public Sector Internal Audit Standards</i> and the <i>local Government Application Note</i> . Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal Audit and is fulfilled.	The Audit and Risk Committee has oversight of the internal Audit and Risk function and will monitor its adherence to professional internal Audit and Risk standards. The Audit and Risk 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 and, the committee will need to be confident that professional standards are being followed.	
Financial management and accounting	Awareness of the financial statement 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	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 and Risk Committee should	

	requirements of the role of the chief financial officer, as required by the <i>CIPFA Statement on the Role of the Chief Financial officer in Local Government</i> .	consider the role of the CFO and how this is met when reviewing the AGS.	
External audit	<p>Knowledge of the role and functions of the external auditor and who currently undertake 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 the external auditors and quality monitoring undertaken.</p>	<p>The Audit and Risk Committee should meet with the external auditor or regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from the audit process.</p> <p>The Audit and Risk 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 and Risk 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 and Risk 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>	

		The committee should also review reports and action plans to develop the application of risk management practice.	
Counter- fraud	An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice. Knowledge of the organisation's arrangements for tackling fraud.	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 arrangement should support the AGS and knowledge of good fraud risk management practice will support the Audit and Risk Committee member in reviewing that assessment.	
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.	The Audit and Risk 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 and Risk 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)	<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	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p>	
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Specialist Knowledge that adds value to the Audit and Risk Committee

Knowledge area	Details of supplementary knowledge	How the Audit and Risk Committee member is able to add value to the committee	Audit and Risk Committee Member comments
Accountancy	Professional qualification in accountancy	More able to engage with the review of the accounts and financial management issues coming before the committee. Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussions of risks and resource issues. More able to engage with the external auditors and understand the results of audit work.	
Internal audit	Professional qualification in internal audit.	This would offer in-depth knowledge of professional standards of internal audit and good practice in internal audit. The committee would be more able to provide oversight of internal audit and review the output of audit reports.	
Risk management	Risk management qualification. Practical experience of applying risk management. Knowledge or risks and opportunities associated with major areas of activity.	Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice. Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers.	

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.	
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.	Knowledge of relevant legislation, risks and challenges associated with major service areas will help the Audit and Risk 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.	

Core Skills

Skills	Key elements	How the Audit and Risk Committee member is able to apply the skill	Audit and Risk Committee Member comments
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 contain more minor errors or control failures. The Audit and Risk Committee will need to pitch its review at an appropriate level to avoid spending too much time on detail.	
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanation while avoiding hostility or grandstanding.	The Audit and Risk Committee will review reports and recommendations to address weaknesses in internal control. The Audit and Risk 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	The outcome of the Audit and Risk Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the Audit and Risk Committee should seek assurances that appropriate action has been taken.	

Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The Audit and Risk 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 and Risk Committee will seek to ensure that external documents such as the Annual Governance Statement and the explanatory foreword to 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 and Risk Committee will receive assurance reports and review risk registers. 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.	
Meeting management skills	Chair the meeting 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 and Risk 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.	