

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Reporting / Training Activities	Dates
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APPENDIX C

ORGANISATIONAL KNOWLEDGE			
An overview of the governance structures of the authority and decision-making processes	This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement (AGS), internal and external reports and risk registers.	Ongoing member development through committee briefings. Audit Committee Handbook provision	Ongoing Ongoing – annual reviews
Knowledge of the organisational objectives and major functions of the authority		Statement of Accounts; Annual Governance Statement; and Local Code of Governance.	June 2017 Sept 2017
AUDIT COMMITTEE ROLE AND FUNCTIONS			
An understanding of the audit committee’s role and place within the governance structures	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	Audit Committee Handbook	Ongoing
Familiarity with the committee’s terms of reference and accountability arrangements		Audit Committee Annual report	March committee cycle
Knowledge of the purpose and role of the audit committee	The committee will plan the assurances it is to receive in order to adequately support the AGS	Statement of Accounts Annual Governance Statement Local Code of Governance Audit Committee Handbook Annual Audit Opinion Annual Investigations Report	June 2017 September 2017

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Governance Knowledge of the six principles of the CIPFA / SOLACE Good Governance Framework and the requirements of the AGS	The committee will review the AGS and consider how the authority is meeting the principles of good governance	AGS report to Committee	June 2017
Knowledge of the Local Code of Governance	The committee will review the AGS and consider how the authority is meeting the principles of good governance	Local Code of Corporate Governance	June 2017
INTERNAL AUDIT			
An awareness of the key principles of the Public Sector Internal Audit Standards	The committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards	Internal Audit Charter Internal Audit Strategy Internal Audit Plans	Annually, March committee cycle
Knowledge of the arrangements for delivering	The 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	Audit updates to committee (½ year progress report Annual Audit Opinion report	Ongoing
	In relying on the work of Internal Audit, the committee will need to be confident that professional standards are being followed	Review of effectiveness report	June 2017
FINANCIAL MONITORING AND ACCOUNTING			
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them	Reviewing the financial statements prior to publication, asking questions	Statement of Accounts	June 2017 September 2017

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Understanding of good financial management principles	Reviewing the External Audit report and opinion on the financial audit Reviewing both Internal and External Audit recommendations relating to financial management and controls.	Audit outcome and management responses to the Annual Audit Letter	June 2017 September 2017
Knowledge of how the organisation meets the requirement of the role of the chief financial officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government	Committee should consider role of the Chief Financial Officer and how this is met when reviewing the AGS	Draft AGS 2016 / 2017	June 2017
EXTERNAL AUDIT			
Knowledge of the role and functions of the external auditor and who currently undertakes this role	The committee should meet with the External Auditor regularly and receive their reports and opinions.	Based on committee timetables	Ongoing
Knowledge of the key reports and assurances that external audit will provide	Monitoring External Audit recommendations and maximising benefits from audit process	Based on committee timetables	Ongoing
Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken	The committee should monitor the relationship between the External Auditor and the authority and support the delivery of an effective service.	Based on committee timetables	Ongoing

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RISK MANAGEMENT			
Understanding of the principles of risk management, including linkage to good governance and decision making	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	Annual Governance Statement Strategic Risk Register analysis reports	March 2017 June 2017 November 2017
Knowledge of the risk management policy and strategy of the organisation	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 audit plans and the explanatory foreword of the accounts	6 monthly strategic risks update	March 2017 November 2017
Understanding of risk governance arrangements, including the role of members and of the audit committee	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	6 monthly strategic risks update Annual review of Risk Strategy	March 2017 November 2017
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 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	Annual Audit Opinion Annual Investigations report Fraud Strategy Anti-Fraud policies	June 2017 March 2018
Knowledge of the organisations arrangements for tackling fraud	An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the Committee members in reviewing the assessment	Annual Audit Opinion	June 2017

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VALUES OF GOOD GOVERNANCE			
Knowledge of the seven principles of public life	The committee members will draw on this knowledge when reviewing governance issues and the AGS	Audit Committee Handbook Member Code of Conduct	Ongoing
Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff	Oversight of the effectiveness of whistleblowing will be considered as part of the AGS	Annual Audit Opinion Annual Investigations report Anti-Fraud policies	June 2017
Knowledge of the whistleblowing arrangements in the authority	Committee member should know to whom concerns should be reported	Whistleblowing policy	March 2018
TREASURY MANAGEMENT			
<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 organisations treasury management strategy The organisations policies and procedures in relation to treasury management 	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny	Policy / Strategy Report reports	September 2017 February 2018

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Core Skills for Audit Committee Members

<p>Strategic thinking and understanding of materiality</p> <p>Able to focus on material issues and overall position, rather than being side-tracked by detail</p>	<p>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 Committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.</p>
<p>Questioning and constructive challenge</p> <p>Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding</p>	<p>The Committee will review reports and recommendations to address weaknesses in internal control. The Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.</p>
<p>Focus on improvement</p> <p>Ensuring there is a clear plan of action and allocation of responsibility.</p>	<p>The outcome of the 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 Committee should seek assurances that appropriate action has been taken.</p>
<p>Able to balance practicality against theory</p> <p>Able to understand the practical implications of recommendations to understand how they might work in practice.</p>	<p>The Committee should seek assurances that planned actions are practical and realistic.</p>
<p>Clear communication skills and focus on the needs of users</p> <p>Support the use of plain English in communications, avoiding jargon, acronyms, etc.</p>	<p>The Committee will seek to ensure that external documents such as the AGS and the explanatory foreword to the Accounts are well written for a non-expert audience.</p>
<p>Objectivity</p> <p>Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.</p>	<p>The 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.</p>
<p>Meeting management skills</p> <p>Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.</p>	<p>These skills are essential for the 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.</p>