

ANNUAL REPORT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

1 Purpose

- 1.1 To present the annual report on the Audit Committee's activities during the financial year 2015/16 and the annual review of effectiveness.

2 Recommendations/for decision

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| <ul style="list-style-type: none">2.1 That the Annual Report from the Chairman of the Audit Committee for the year 2015/16 attached at Appendix A be noted.2.2 That the Committee consider the self assessment (Appendix B) and determine any required amendments.2.3 That the Committee consider the guidance set out in the CIPFA Audit Committee Members Knowledge and Skills Framework (Appendix C) and advise of any gaps or areas of weakness to be addressed by future training. |
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3 Supporting information

- 3.1 The Audit Committee has previously approved the publication of an annual report by the chairman to increase general awareness of its role and to outline its activities over the year. The publication of the report also promotes transparency in respect of the committee's actions and makes an important contribution to the Council's corporate governance arrangements.
- 3.2 As well as circulating the final version of the report to all members via the Members Information Sheet it will be published on the council's web site. The Chairman of the committee, Councillor Kevin Hewson, will formally present the report to members for discussion and noting.
- 3.3 The report also takes into account the review of effectiveness of the committee which is a self assessment against CIPFA's best practice guidance. This is included at Appendix B.
- 3.4 The self assessment has been updated to reflect any changes or improvements that have been implemented since March 2015 and where there are still areas for improvement.
- 3.5 In most areas the Committee is meeting the good practice requirements and is actively and effectively supporting improvement across the specified areas. A number of actions have been identified to further improve, including an assessment of the membership of the committee against the CIPFA core knowledge and skills framework.
- 3.6 An extract from the CIPFA guidance is attached to this report (Appendix C). This sets out the core knowledge and skills framework required for an effective audit committee.

4 Resource implications

- 4.1 None

Contact Officer

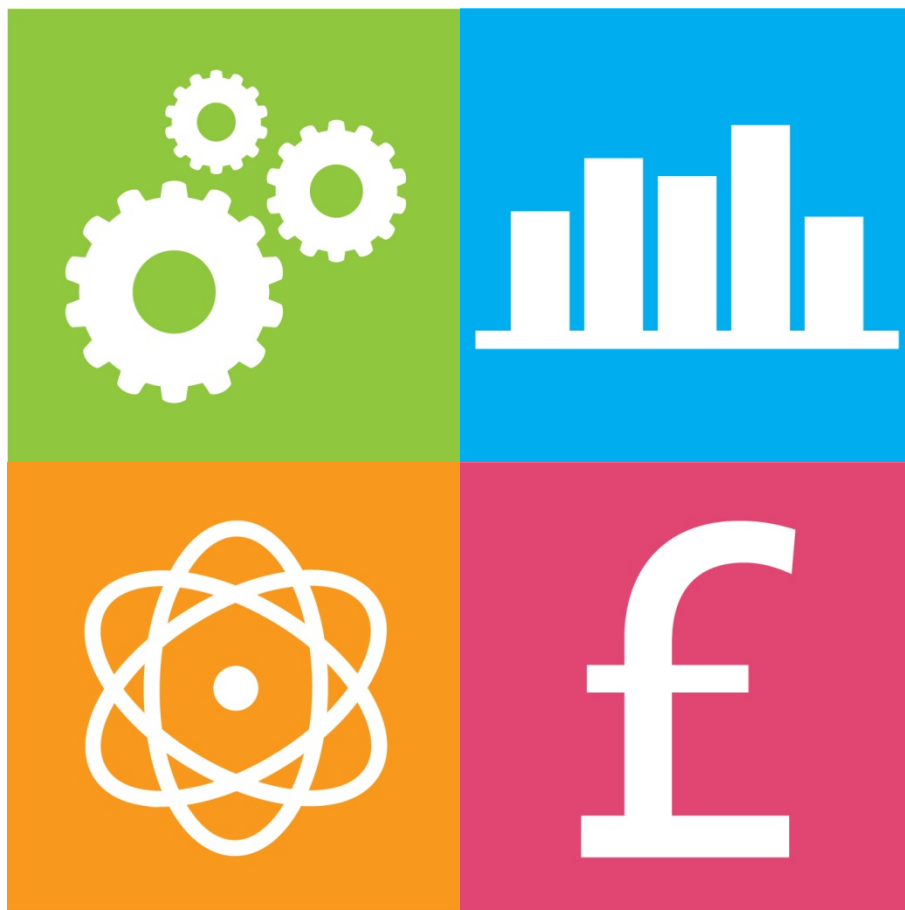
Kate Mulhearn
01296 585724

Background Documents

Annual report from the Chairman of the Audit
Committee

Aylesbury Vale District Council

Audit Committee Annual Report 2015-16



To secure the economic, social and environmental wellbeing of the
people and businesses in the area.

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Introduction by the Chairman

This report provides an overview of the Audit Committee's activity during the financial year April 2015 to March 2016.

I am pleased to report that the Committee continues to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial reporting processes.

This report includes a summary of the work carried out by the Committee during the year based around key agenda items and highlights a number of areas for Committee focus in the coming year.

Firstly, on behalf of the Committee, I would like to express gratitude to Councillor Timothy Mills who served as Audit Committee Chair until January 2016. As the new Chair of the Committee, I will seek to continue the good work of the Committee, providing independent challenge and support in our focus on governance, risk management and control.

During the year management identified concerns over financial processes and controls following the implementation of the new accounting systems. The committee welcomed the robust and open discussions with management and have received assurance that actions are being taken to address weaknesses. The Audit Committee will monitor progress on implementation of agreed actions and continue to seek assurance that effective processes are operating.

In looking forward to 2016-17 the Council is undergoing a major transformation in order to become more commercial, so that it can function as efficiently and effectively as possible for the benefit of customers, be they residents or businesses. With £5 million to save by 2020, the strategy includes not only internal review, restructure and efficiency savings, but also generating income through commercial opportunities. This has included setting up new commercial companies and the Committee considered the Council's approach to governance of these arrangements in March 2016, this will be an ongoing area of focus over the coming year.

During times of change effective risk management, governance and control are critical and the Audit Committee has valuable role to play in providing assurance over these processes. Along with my fellow members I look forward to meeting those challenges which lay ahead.



Councillor Kevin Hewson
Chairman of the Audit Committee – Appointed January 2016

Audit Committee Annual Report 2015/16

1. Role of the Audit Committee

The purpose of the Audit Committee is to provide independent assurance to the members of the adequacy of the Council's governance, risk management and internal control frameworks. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit Committee is a key component of the Council's governance framework by providing an independent and high-level resource to support good governance and strong public financial management. It has a vital role to play in ensuring that residents of the Vale are getting quality services and value for money.

The core functions of the Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework.
- Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption.
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

For more detail on the role of the Audit Committee see Appendix B: Terms of Reference.

2. Meetings

The Committee held **six** scheduled formal meetings during the year: 27th May, 27th July, 28th September, 9th November, 25th January and 21st March. The agenda items covered and supporting papers and reports are available on our website. Details of the meetings planned to take place during 2016/17 can also be found on the website. All meetings are open to the public.

<http://democracy.aylesburyvaledc.gov.uk/>

3. Membership

The Committee currently has 9 elected members and a number of changes were made during the year. Following the elections in May 2015 the Committee was chaired by Councillor Timothy Mills, with Councillor Kevin Hewson as Vice-Chairman. Councillor Howard Mordue is an ex-officio member of the Audit Committee in his capacity as Cabinet Member for Finance, Resources and Compliance.

Following the resignation of Councillor Timothy Mills from the Committee in January 2016, Councillor Kevin Hewson was elected as Chairman and Councillor Bill Chapple as Vice-Chairman.

See Appendix A for the current membership of the Audit Committee and details of those who have served during the year.

4. Work Programme

The Committee adopted a work programme for the year which focussed on the review of:

- The assurance needed before the approval of the final accounts for the Council
- The work undertaken by internal audit (referred to as Business Assurance Services)
- Other work undertaken by the external auditors
- The Council's risk management strategy
- Arrangements for managing the risk of fraud and corruption

The Audit Committee has taken a particular interest in the progress on implementing the new finance system which went live in June 2015. Members have sought assurance that the new system will address the weaknesses identified in previous audits and that it is supporting robust financial management and internal control.

Below is a list of agenda items from the past years work programme the detail of which is in the relevant Committee papers.

Governance & Regulatory

Item	Dates considered	Summary
Annual Governance statement for 2014-15	27/07/15	The Annual Governance statement explains how the Council has complied with the principles of corporate governance and has adopted proper practices in relation to internal control.
Draft Statement of Accounts 2014-15	27/07/15	This report sets out the current position in terms of Accounts preparation, identifies significant changes to accounting policies applied in the preparation of the accounts and reports the outturn position in a management style for member's information.
Final Statement of Accounts 2014-15	28/09/15	This report updates the committee on the audit process and advises of the changes that have been made to the accounts in accordance with the auditor's recommendations.
AVDC Company Governance	21/03/16	The Committee received the 'Guide to Creation and Working with Companies in which AVDC has a Financial Interest', which sets out how the relationships between any company in which AVDC has a financial interest and the Council should be conducted.

Business Assurance Services

Item	Dates considered	Summary
Business Assurance Progress Reports	27/07/15 28/09/15 09/11/15 25/01/16 21/03/16	The committee received progress reports which cover completed assurance reviews and a summary of results, advisory work and track progress against outstanding actions.
Business Assurance Manager's Annual Report 2014-15	27/07/15	The Business Assurance Manager is required to provide a written opinion to those charged with governance on the effectiveness of the risk management, control and governance arrangements.
Risk Management Strategy and Strategic Risk Register update	28/09/15	The committee received a report on the updated Risk Management Strategy and an update on the Strategic Risks which have been identified and assessed by Corporate Board.
Risk Management and Service Risk Assurance	21/03/16	The Committee received a report updating Members on Risk Management and the results of the Service Risk Assurance for 2015/16.
Internal Audit Strategy and Plan 2016-17	21/03/16	The Committee received a report with details of the Internal Audit Risk Assessment and Plan for 2016-17. The methodology applied in developing the Internal Audit Strategy and Plan had been updated for 2016-17.

External Audit

Item	Dates considered	Summary
External Audit Progress report and Audit Plan	27/07/15 25/01/16	Progress Report on work undertaken by Ernst and Young against their plan.
External Audit – Audit Results Report - ISA 260	28/09/15	The Committee received a report summarising the findings from the work they had completed prior to the final accounts being finalised.
External Audit Annual Audit Letter 2014/15	09/11/15	The Committee received for information a copy of the Annual Audit Letter which covers the findings of the audit work carried out on the Council's financial statements for 2014/15.
Certification of Claims and Returns Annual Report	25/01/16	The Committee received a report on the certification of grant claims for 2014/15.
External Audit - External Audit Plan 2015-16 and Fee Letter	25/01/16	The Committee received a report and External Audit Plan which summarised the proposed approach and scope of work to be undertaken by the external auditors for 2016 in accordance with statutory requirements and to ensure it was aligned with the Committee's expectations.

Counter-Fraud

Item	Dates considered	Summary
Fraud Progress Report	25/01/16	The Committee received an update on the anti fraud and corruption work that had been undertaken over the last 12 months including the results of the fraud risk benchmarking assessment, and a report on the activity of the Compliance team for the first six months of 2015-16 following the transfer of staff to the DWP's Single Fraud Investigation Service (SFIS).

5. Next year's focus for Audit Committee (2016/17)

The Council is undergoing a major transformation in order to become more commercial, so that it can function as efficiently and effectively as possible for the benefit of customers, be they residents or businesses. With £5 million to save by 2020, the plans include internal review, restructure and efficiency savings and also generating income through commercial opportunities.

During times of change, effective risk management, governance and control are critical and the Audit Committee has valuable role to play in providing assurance over these processes. Some areas of focus for the coming year are:

Item 1:

Review the Risk Management arrangements and receive regular update reporting on strategic and corporate level risks.

Item 2:

Seek assurance that internal audit issues identified following the implementation of the new financial system are being addressed and that effective controls and processes are embedded.

Item 3:

Review progress against the new CIPFA Delivering Good Governance in Local Government Framework and its application to the 2016/17 Annual Governance Statement.

Item 4:

Consider the outcomes of the Council's sector reviews and any proposals relating to the provision of internal audit services and other governance arrangements going forward.

Item 5:

Consider the Council's partnership arrangements including those over the new commercial companies, ensuring the partnership arrangements are satisfactorily established and are operating effectively in line with the approved guide to working with our companies.

Item 6:

Monitor progress of the Annual Internal Audit Plan and consider the findings of individual internal audit reports. Monitor progress on implementing agreed actions to address identified weaknesses or gaps in the control environment.







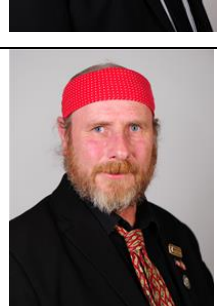


Item 7:

Monitor progress against the Fraud Action Plan.

Item 8:

Monitor the progress of actions identified in the 2015/16 Annual Governance Statement.

Appendix 1 - Audit Committee Members

	<p>Councillor Kevin Hewson Chairman of the Audit Committee</p>		<p>Councillor Bill Chapple OBE Vice-Chairman of the Audit Committee</p>
	<p>Councillor Cameron Branston Member of the Audit Committee</p>		<p>Councillor Michael Collins Member of the Audit Committee</p>
	<p>Councillor Andy Hetherington Member of the Audit Committee</p>		<p>Councillor Paul Irwin Member of the Audit Committee</p>
	<p>Councillor Mike Smith Member of the Audit Committee</p>		<p>Councillor Robin Stuchbury Member of the Audit Committee</p>
	<p>Councillor Derek Town Member of the Audit Committee</p>		<p>Councillor Howard Mordue Ex-officio Member of the Audit Committee and Cabinet Member for Resources</p>

The following members served for part of the year:

Cllr T Mills (Chair), Cllr D Isham (Vice Chair), Cllr J Chilver, Cllr T Hunter-Watts, Cllr A Davies, Cllr S Renchell, Cllr S Lambert

Appendix 2 - Terms of Reference of the Audit Committee

Statement of purpose

1. The audit committee is a key component of Aylesbury Vale District Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of the audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

3. To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
5. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
6. To monitor the effective development and operation of risk management in the council.
7. To monitor progress in addressing risk-related issues reported to the committee.
8. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
9. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
10. To monitor the counter-fraud strategy, actions and resources.

Internal audit

11. To approve the internal audit charter.
12. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
13. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
14. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
15. To consider reports from the head of internal audit on internal audit's performance

during the year. These will include:

- a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
16. To consider the head of internal audit's annual report:
- a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
17. To consider summaries of specific internal audit reports as requested.
18. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
19. To contribute to the quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
20. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations
21. To support the development of effective communication with the head of internal audit.

External audit

22. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
23. To consider specific reports as agreed with the external auditor.
24. To comment on the scope and depth of external audit work and to ensure it gives value for money.
25. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

26. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the

attention of the council.

27. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

28. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

Business Assurance Service
Aylesbury Vale District Council
The Gateway, Gatehouse Road
Aylesbury, Bucks HP19 8FF
Tel: (01296) 585004
Email: performance@aylesburyvaledc.gov.uk

Audit Committee Self Assessment (April 2016)

Appendix B

Good practice questions	Yes	Partly	No	Comments/Actions for Improvement
Audit committee purpose and governance				
1 Does the authority have a dedicated audit committee?	✓			
2 Does the audit committee report directly to full council?	✓			The Audit Committee presents an annual report to full Council.
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement*?	✓			The Terms of Reference were updated to reflect the CIPA statement and approved in March 2015
<p>* The Purpose of Audit Committees (CIPFA Position Statement) extract: <i>Audit committees are a key component of an authority’s governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.</i></p> <p><i>The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.</i></p>				
4 Is the role and purpose of the audit committee understood and accepted across the authority?	✓			The Annual Report of the Committee, including the Committee’s Terms of Reference, is presented to full Council.

Audit Committee Self Assessment (April 2016)

Appendix B

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			The Committee approves the Council's Annual Governance Statement (AGS).
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			The Annual Report of the Committee is presented to full Council. No issues have been raised by the Council or the external auditors regarding the performance of the committee
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? good governance assurance framework internal audit external audit financial reporting risk management value for money or best value counter-fraud and corruption.	✓			The ToR is based on CIPFAs model

Audit Committee Self Assessment (April 2016)

Appendix B

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			The Committee's Annual Report compares the work carried out by the Committee during the year with its Terms of Reference.
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓			This was considered as part of the review in 2015 and the other suggested areas are already covered by other committees
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			There were no areas where cover was found to be limited
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Committee's decision making powers are all in line with its core purpose. E.g. approval of Financial Statements, approval of AGS.
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: separation from the executive an appropriate mix of knowledge and skills among the membership a size of committee that is not unwieldy where independent members are used, that they have been appointed using an appropriate process.	✓			The Committee is separate from the executive and is of a size that is not unwieldy. No independent members are used. Re: appropriate mix of knowledge and skills among the membership, see 15 below.

Good practice questions	Yes	Partly	No	Comments/Actions for Improvement
13 Does the chair of the committee have appropriate knowledge and skills?	✓			The new chair of the audit committee meets the requirements if the job description of the role of the Chairman which includes their responsibilities, of which considering their own learning needs is one. The CIPFA core requirements are satisfactorily met.
14 Are arrangements in place to support the committee with briefings and training?	✓			Training sessions are held throughout the year on various topics prior to meetings. See 15 below.
15 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓		<p>There are no concerns about the competency of the audit committee members but a structured assessment against the CIPFA 2013 framework has not yet been done.</p> <p>ACTION: Assess membership against the core knowledge and skills framework. If gaps are identified, address this through the audit committee training programme.</p>

Audit Committee Self Assessment (April 2016)

Appendix B

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			External Audit attend all Committee meetings. Internal Audit and the Chief Financial Officer attend all Committee meetings and meet separately with the Chair.
17	Is adequate secretariat and administrative support to the committee provided?	✓			Democratic Services provide secretariat and administrative support to the Committee.
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			The Annual Report of the Committee is presented to full Council, which gives the opportunity for feedback on performance. External Audit attend all meetings and have not raised any issues regarding the performance of the committee
19	Has the committee evaluated whether and how it is adding value to the organisation?	✓			The Annual Report of the Committee is presented to full Council. This self assessment also evaluates whether the Committee is adding value.
20	Does the committee have an action plan to improve any areas of weakness?	✓			This self assessment has identified areas for improvement these will followed up

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
Assessment key					
5 Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.					
4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.					
3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.					
2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.					
1 No evidence can be found that the audit committee has supported improvements in this area.					
Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness		Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> ▪ Providing robust review of the AGS and the assurances underpinning it. ▪ Working with key members/governors to improve their understanding of the AGS and their contribution to it. ▪ Supporting reviews/audits of governance arrangements. ▪ Participating in self-assessments of governance 	<ul style="list-style-type: none"> ▪ AGS and supporting evidence is provided to the Committee and training session held for Members. Draft AGS is brought to the Committee in March ahead of the final version in July. 		4	ACTION: Consider how the Committee can work with other Members to improve their understanding of the Corporate Governance and the Annual Governance Statement and their contribution to it. This could include raising awareness through Cabinet and Scrutiny, for example.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
	<p>arrangements.</p> <ul style="list-style-type: none"> ▪ Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> ▪ Governance arrangements with respect to partnerships are considered as part of the AGS review and approval process. 		
<p>Contributing to the development of an effective control environment.</p>	<ul style="list-style-type: none"> ▪ Monitoring the implementation of recommendations from auditors. ▪ Encouraging ownership of the internal control framework by appropriate managers. ▪ Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> ▪ The Committee monitors implementation of specific External Audit actions and also those within the AGS Action Plan. ▪ The Committee receives summary information on the internal audit recommendations outstanding. 	<p>4</p>	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> ▪ Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. ▪ Monitoring improvements. ▪ Holding risk owners to account for major/strategic risks. 	<ul style="list-style-type: none"> ▪ Senior managers are called in to attend the Committee in respect of any significant overdue areas. ▪ Committee received an annual risk management improvement plan and progress is reported through the Assurance Progress report. ▪ Strategic risks are now reported six monthly to the committee 	3	<p>ACTION: Due to resource changes in the Business Assurance Team, risk management reporting has not been as regular during 2015/16. The strategic & Corporate risks will be presented to July 2016 committee and thereafter regular update reports.</p>
Advising on the adequacy of the assurance framework	<ul style="list-style-type: none"> ▪ Specifying its assurance needs, identifying gaps or overlaps in 	<ul style="list-style-type: none"> ▪ The Committee has reviewed and commented on the 2016/17 Annual Internal Audit Strategy & Plan, which sets out the sources of assurance (lines of defence) and the integration with 	4	<p>ACTION: The committee will request reports from other sources of assurance (2nd line of defence) where issues have been raised through the AGS or other Assurance Reviews</p>

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
and considering whether assurance is deployed efficiently and effectively.	assurance. <ul style="list-style-type: none"> ▪ Seeking to streamline assurance gathering and reporting. ▪ Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit. 	risk management. Some measures of the effectiveness of assurance providers are provided to Committee.		ACTION: The committee will consider any proposed changes to assurance delivery models arising from the Commercial AVDC transformation programme.
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<ul style="list-style-type: none"> ▪ Reviewing the audit charter and functional reporting arrangements. ▪ Assessing the effectiveness of internal audit arrangements and supporting improvements. 	<ul style="list-style-type: none"> ▪ The Committee reviews the audit charter and functional reporting arrangements. ▪ Internal Audit produces interim reports and an annual report, featuring their performance indicators. 	4	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
Aiding the achievement of the authority’s goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> ▪ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. ▪ Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> ▪ Major projects group attended by Business Assurance Manager and reviews for part of work plan which is reported to committee ▪ Performance Management arrangements are not reviewed by the Committee as this is covered by scrutiny committees. 	3	<p>ACTION: Consider Commercial AVDC transformation programme and the results of Commercial ADVC projects and obtain periodic updates from the Commercial AVDC Programme Board for ongoing consideration of risk and assurance.</p>
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> ▪ Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. ▪ Considering how performance in value for money is evaluated 	<ul style="list-style-type: none"> ▪ The Committee considers the external audit opinion on value for money. ▪ The AGS contains a review of the effectiveness of, as a key element of the Council’s governance 	4	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<p>as part of the AGS.</p> <ul style="list-style-type: none"> ▪ Reviewing arrangements against the standards set out in CIPFA’s <i>Managing the Risk of Fraud</i> (Red Book 2). ▪ Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks. ▪ Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<p>arrangements and thus the AGS contains a review of its effectiveness.</p> <ul style="list-style-type: none"> ▪ Chair’s response to External Auditors on management processes in place to prevent and detect fraud and to ensure compliance with law and regulation is brought to Committee and provides detailed information on the Council’s anti-fraud and corruption arrangements and how the Council identifies and responds to fraud. • The Committee received the Fraud Benchmarking report in November 2015 and will continue to receive updates on 	<p>4</p>	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: Improvement 5 – 1 See key above	Comments/Actions for Improvement
		<p>the identified actions to improve Anti Fraud and Corruption arrangements</p> <ul style="list-style-type: none"> • Committee received report on the work of the Compliance Team (post transfer of fraud investigation to DWP SFIS) 		
<p>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</p>	<ul style="list-style-type: none"> ▪ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. ▪ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. 	<ul style="list-style-type: none"> ▪ The Committee reviews and approves a number of public facing documents e.g. Financial Statements, AGS, Annual Report and these documents are continually reviewed against best practice and improvements made to improve transparency and accountability. 	<p>4</p>	

Audit Committee Members – Knowledge and Skills Framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<p>An overview of the governance structures of the authority and decision-making processes.</p> <p>Knowledge of the organisational objectives and major functions of the authority.</p>	<p>This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement, internal and external audit reports and risk registers.</p>
Audit committee role and functions	<p>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.</p> <p>Knowledge of the purpose and role of the audit committee.</p>	<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.</p>
Governance	<p>Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS).</p> <p>Knowledge of the local code of governance.</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>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<p>An awareness of the key principles of the <i>Public Sector Internal Audit Standards</i> and the <i>Local Government Application Note</i>.</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>
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 chief financial officer, as required by the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i>.</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>
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>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
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>
Counter-fraud	<p>An understanding of the main areas of fraud risk the organisation is exposed to.</p> <p>Knowledge of the principles of good fraud risk management practice (Red Book 2).</p> <p>Knowledge of the organisation's arrangements for tackling fraud.</p>	<p>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.</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>
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>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<p><i>Effective Scrutiny of Treasury Management</i>⁴³ 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 ■ the organisation’s policies and procedures in relation to treasury management. 	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.

43. CIPFA Better Governance Forum/Treasury Management Network, 2011.

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

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

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
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 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 committee member is able to apply the skill
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 committee member will need 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 explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.

Skills	Key elements	How the audit committee member is able to apply the skill
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	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. Where errors or control failures have occurred, then the audit 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 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 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 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 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.

