

# Carlisle City Council

## Report to Audit Committee

### Report details

Meeting Date:	28 September 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not Applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Effectiveness Review of the Audit Committee – Training Programme
Report of:	Corporate Director of Finance and Resources
Report Number:	RD38/22

### Purpose / Summary:

This report provides Members with an update on the Effectiveness Review that was undertaken in 2020 and subsequent training needs analysis undertaken in 2021, and requests that the Committee note the results and agree to the proposed training programme as set out in the report.

### Recommendations:

The Audit Committee is asked to:

- (i) note the results of the review, and progress made against the action plan; and
- (ii) comment upon and approve the training programme for the remainder of 2022/23.

### Tracking

Audit Committee:	28 September 2022
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## **1. Background**

- 1.1 Two effectiveness reviews of the Audit Committee have been undertaken in recent years, both in line with the CIPFA Guidance for Local Authority's Audit Committees. The first was undertaken on 19<sup>th</sup> April 2016 with an external facilitator, with the second being held on 12<sup>th</sup> October 2020, facilitated by internal officers.
- 1.2 The action plan was updated prepared following the 2020 review and this is attached at **Appendix A**, along with progress made against each action.
- 1.3 This report focuses on actions C1 and C2 in terms of the results of the self-assessment survey completed by Members in 2021, and the proposed training programme as a result.

## **2. CIPFA Framework – Core and Specialist Knowledge and Skills**

- 2.1 In February 2021 surveys were sent to the (then) core members and substitutes of the Audit Committee to complete a Core Specialist Knowledge and Skills questionnaire in order to identify any gaps in knowledge and to identify any training needs to inform a new training programme for Members. There was a 35% response rate (5).
- 2.2 The results of the survey have been summarised and the pertinent comments for the Core and Specialist Knowledge are shown at **Appendix B** for information. There was also a general comment in relation to welcoming any training which enhances knowledge and understanding, as well a request for Meeting Chairing training (this action already forms part of the action plan).
- 2.3 It is clear from the results that there are different levels of confidence, knowledge and understanding; however, all respondents have expressed the need for further training, whether this be fresher training or new training requirements.

## **3. Training Programme**

- 3.1 The Committee has received specific training on the Statement of Accounts, Role of Internal Audit, Role of External Audit and Role of the Audit Committee as part of the Ethical Governance Training Programme. This was delivered by the Head of Financial Services and was held on 5<sup>th</sup> July 2022.
- 3.2 As a result of the survey, and with Member's agreement, it is proposed to deliver the following training programme during the remainder of 2022/23, if feasible. This is much reduced from previous years given that the City Council will not be setting a budget for 2023/24 – this will be the responsibility of the new Cumberland Council.

### 3.3 Potential Training Programme

- Local Code of Corporate Governance and Annual Governance Statement
- Financial Management and Accountancy
- Treasury Management (including MRP)
- Public Sector Internal Audit Standards (PSIAS)
- Risk Management
- Counter Fraud & Corruption (as part of the Ethical Governance Programme)
- Councillor Code of Conduct (as part of the Ethical Governance Programme for newly elected Members)

3.4 Members are asked to consider whether these be delivered immediately prior to the start of the remaining 2 audit committee meetings of 2022/23 or whether bespoke sessions be arranged to cover the topics. Given the length of time available to officers to deliver training, it would perhaps be useful if Members could prioritise their training needs for the remainder of the year.

## 4. Consultation

4.1 None

## 5. Conclusion and reasons for recommendations

5.1 Members are asked to note the survey results and the proposed training programme to ensure that the Council has put the necessary governance arrangements in place to ensure full compliance with statutory requirements and CIPFA guidance.

### Contact details:

Contact Officer: Alison Taylor

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### Appendices attached to report:

**Appendix A – Improvement Action Plan**

**Appendix B – Core and Specialist Knowledge Results**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

### Corporate Implications:

Legal - The purpose of the Council's Audit Committee is to provide independent assurance of the adequacy of the risk management framework and also scrutiny of our financial and non-financial performance. The establishment of the Committee is in line with CIPFA best

practice as is the requirement to review the committee's effectiveness so as to ensure that the Council obtains the necessary assurance it requires. Even when operating to a satisfactory level, we should also seek to improve when we are able to do so. Article 15 of the Constitution says that the Monitoring Officer should promote best practice amongst the Council's Committees and the effectiveness review of the Audit Committee which included the involvement of the Section 151 Officer, Designated Head of Internal Audit and the Monitoring Officer is welcomed and is an excellent part of this process.

Property Services - none

Finance - Contained within the report

Equality - None

Information Governance – None

**APPENDIX A**

**EFFECTIVENESS REVIEW IMPROVEMENT PLAN**

<b>Effectiveness Review 12/10/20</b>	<b>Agenda Item</b>	<b>Comments</b>	<b>Action needed/Deadline</b>	<b>Responsibility</b>
A	Presentation on the Role of the Audit Committee	Concern expressed that virtual meetings were not being as effective as face to face meetings		
B	Review the Terms of Reference	<p>Use of an Independent Member (referred to in the Redmond Review too)</p> <p>Acknowledgement of the Chairs Role (Role descriptors already included in the Constitution)</p> <p>Training for individual Chairs</p>	<p>Government's response to the Redmond Review – report to the Audit Cttee (15/03/21)</p> <p>Update ToR as appropriate</p> <p>Will form part of the Ethical Governance Training Programme</p>	<p>Corporate Director of Finance &amp; Resources</p> <p>Corporate Director of Governance &amp; Regulatory Services</p> <p>Corporate Director of Governance &amp; Regulatory Services</p>
<b>C</b>	<b>Effectiveness Review:</b>			
C1	Survey Results	<p>The results of the self-assessment Good Practice questionnaire were reviewed.</p> <p>This could perhaps form part of the Chair's annual report to show how the Cttee adds value to the organisation.</p>	<p>The CIPFA framework on Core and Specialist Knowledge and Skills be issued to members to identify any gaps in knowledge and to identify any training needs to inform a new training programme.</p> <p>CIPFA's evaluation toolkit to be issued to Members</p>	<p>Corporate Director of Finance &amp; Resources</p> <p>Issue to Members on 16/02/21</p>

C2	Training Programme	Existing training programme reviewed – agreed that it covered all of the necessary topics. Knowledge gaps to be identified to improve the programme and/or to determine whether any Independent Members with Specialist skills/knowledge would be beneficial	See C1 above	Corporate Director of Finance & Resources (following receipt of completed CIPFA Framework on skills and knowledge)
C3	Actions/improvement plan	Previous action plan reviewed. All items complete or picked up in this improvement plan.	New Improvement Plan to be prepared	Corporate Director of Finance & Resources
D	Redmond Review	Provided for Members to read through		MHCLG response to the Review provided to Members (see item B)

In attendance on 12/10/20:

Cllr K Meller, Cllr L Patrick, Cllr P Birks, Cllr A McKerrell, Cllr C Finlayson, Cllr M Bowman, Cllr J Bomford, Cllr R Alcroft (Apologies received from Cllr Tickner)

A Taylor, M Roper, M Lambert

# Audit committee members– Knowledge Framework

## CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
Organisational knowledge	<ul style="list-style-type: none"> <li>■ An overview of the governance structures of the authority and decision-making processes</li> <li>■ Knowledge of the organisational objectives and major functions of the authority</li> <li>■</li> </ul>	<ul style="list-style-type: none"> <li>■ 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</li> </ul>	<p>General understanding reasonably happy with depth of knowledge</p> <p>Fair understanding. Refreshing of certain points when relevant is welcome though as not everyday business for all of us.</p> <p>Confident in this knowledge area, with a good understanding.</p> <p>I would appreciate training on this</p>
Audit committee role and functions (Chapters 3 and 6)	<ul style="list-style-type: none"> <li>■ 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</li> </ul>	<ul style="list-style-type: none"> <li>■ 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</li> </ul>	<p>Happy with my knowledge base would like kept up to date with changes like the prudential changes and Redmond reports with some training being given rather than just documents when there are significant changes.</p>

	<ul style="list-style-type: none"> <li>■ Knowledge of the purpose and role of the audit committee</li> </ul>	of others	<p>Good understanding sometimes a view point from a dual hat though.</p> <p>Confident in this knowledge area, with a good understanding.</p> <p>I would suggest a briefing prior to the 1<sup>st</sup> meeting of the civic year for all members</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
Governance (Chapter 4)	<ul style="list-style-type: none"> <li>■ Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS</li> <li>■ Knowledge of the local code of governance</li> </ul>	<ul style="list-style-type: none"> <li>■ The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework</li> <li>■ The committee will plan the assurances it is to receive in order to adequately support the AGS</li> <li>■ The committee will review the AGS and consider how the authority is meeting the principles of good governance</li> </ul>	<p>Happy with my knowledge base</p> <p>Fair but refresh is needed to keep up to date and fresh in mind.</p> <p>Reasonably confident in this knowledge area.</p> <p>Training required</p>
Internal audit (Chapter 4)	<ul style="list-style-type: none"> <li>■ An awareness of the key principles of the PSIAS and the LGAN</li> <li>■ Knowledge of the arrangements</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit</li> </ul>	Not sure how the decisions are made as to what departments and documents should be audited



	for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled	<p>standards</p> <ul style="list-style-type: none"> <li>■ 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</li> </ul>	<p>Fair understanding, good footnotes for guidance on some relevant points that get brought forward</p> <p>I think further training for the Committee on these areas would be beneficial.</p> <p>This is an important part of the Audit Committee. Any training or updates would be appreciated.</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
		<ul style="list-style-type: none"> <li>■ In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed</li> <li>■ The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan</li> </ul>	<p>All audit chairs should be required to undertake a form of mandatory training</p> <p>Fair understanding, good footnotes for guidance on some relevant points that get brought forward</p>
Financial management and accounting (Chapter 4)	<ul style="list-style-type: none"> <li>■ Awareness of the financial statements that a local authority must produce and the principles it</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewing the financial statements prior to publication, asking questions</li> </ul>	<p>Happy with base knowledge</p> <p>Good knowledge but always welcome the refresh when going</p>

	<p>must follow to produce them</p> <ul style="list-style-type: none"> <li>■ Understanding of good financial management principles</li> <li>■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by <a href="#">The Role of the Chief Financial Officer in Local Government</a> (CIPFA, 2016)</li> </ul>	<ul style="list-style-type: none"> <li>■ Receiving the external audit report and opinion on the financial audit</li> <li>■ Reviewing both external and internal audit recommendations relating to financial management and controls</li> <li>■ The audit committee should consider the role of the CFO and how this is met when reviewing the AGS</li> </ul>	<p>through near autumn time. Especially when highlighting key points from the year or changes.</p> <p>I feel reasonably confident in these areas but would always like further training on the statement of accounts.</p> <p>I would suggest this should be taken as training in advance of the Committees first meeting</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
External audit (Chapter 4)	<ul style="list-style-type: none"> <li>■ Knowledge of the role and functions of the external auditor and who currently undertakes this role</li> <li>■ Knowledge of the key reports and assurances that external audit will provide</li> <li>■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee should meet with the external auditor regularly and receive their reports and opinions</li> <li>■ Monitoring external audit recommendations and maximising benefit from audit process</li> <li>■ The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service</li> </ul>	<p>Happy</p> <p>Reasonable and quick pointers and footnotes help catch up key points between meetings</p> <p>Reasonably confident in this knowledge area</p> <p>Not sure how we would monitor the relationship between the auditor and the authority?</p>
Risk management (Chapter 4)	<ul style="list-style-type: none"> <li>■ Understanding of the principles of risk management, including</li> </ul>	<ul style="list-style-type: none"> <li>■ In reviewing the AGS, the committee will consider the</li> </ul>	CMI level 7 in risk management

	<p>linkage to good governance and decision making</p> <ul style="list-style-type: none"> <li>■ Knowledge of the risk management policy and strategy of the organisation</li> <li>■ Understanding of risk governance arrangements, including the role of members and of the audit committee</li> </ul>	<p>robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces</p> <ul style="list-style-type: none"> <li>■ 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,</li> </ul>	<p>Fair</p> <p>Further training would be appreciated.</p> <p>No training required</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
		<p>external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee</p> <ul style="list-style-type: none"> <li>■ The committee should also review reports and action plans to develop the application of risk management practice</li> </ul>	
Counter fraud (Chapter 4)	<ul style="list-style-type: none"> <li>■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed</li> </ul>	<ul style="list-style-type: none"> <li>■ Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the</li> </ul>	<p>Happy with my base knowledge. Completed online skills training for city council on fraud and money laundering</p>

	<ul style="list-style-type: none"> <li>■ Knowledge of the principles of good fraud risk management practice in accordance with the <a href="#">Code of Practice on Managing the Risk of Fraud and Corruption</a> (CIPFA, 2014)</li> <li>■ Knowledge of the organisation's arrangements for tackling fraud</li> </ul>	<p>organisation's fraud strategy and receives reports on the effectiveness of that strategy</p> <ul style="list-style-type: none"> <li>■ 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</li> </ul>	<p>Fair but welcome yearly update in changes to fraud and key points</p> <p>Reasonably confident in this knowledge area</p> <p>Have undertaken training via skillgate but always willing to do more to increase understanding</p>
Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Knowledge Gap/Training Needs
Values of good governance (Chapter 5)	<ul style="list-style-type: none"> <li>■ Knowledge of the Seven Principles of Public Life</li> <li>■ Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</li> <li>■ Knowledge of the whistleblowing arrangements in the authority</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee member will draw on this knowledge when reviewing governance issues and the AGS</li> <li>■ 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</li> </ul>	<p>Will revisit whistle blowing policy</p> <p>Yes or easy enough to find relevant info if needed but knowledge of standards</p> <p>Reasonably confident with this, however I would like to know more about the LGA's new model Councillor code of conduct 2020</p> <p>I have taken training via skillgate but willing to do more to increase knowledge</p>
Treasury management (only if it is within the terms of reference of the committee to	<ul style="list-style-type: none"> <li>■ <a href="#">Effective Scrutiny of Treasury Management</a> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury</li> </ul>	<ul style="list-style-type: none"> <li>■ Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny</li> </ul>	<p>Happy base knowledge</p> <p>If needed within the scope yes</p> <p>Reasonably confident in this knowledge area</p>

provide scrutiny) (Chapter 5)	<p>management. The key knowledge areas identified 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>■ See also <a href="#">Treasure Your Assets</a> (CfPS, 2017)</p>		
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## SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee	Knowledge Gap/Training needs
Accountancy	<p>■ Professional qualification in accountancy</p>	<ul style="list-style-type: none"> <li>■ More able to engage with the review of the accounts and financial management issues coming before the committee</li> <li>■ 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</li> <li>■ More able to engage with the external auditors and understand</li> </ul>	<p>Don't have this experience. Would definitely be helpful to the Committee</p> <p>Any training welcomed.</p>

		the results of audit work	
Internal audit	<ul style="list-style-type: none"> <li>Professional qualification in internal audit</li> </ul>	<ul style="list-style-type: none"> <li>This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing</li> <li>The committee would be more able to provide oversight of internal audit and review the output of audit reports</li> </ul>	<p>Don't have this experience. Would definitely be helpful to the Committee</p> <p>None</p>
<b>Knowledge area</b>	<b>Details of supplementary knowledge</b>	<b>How the audit committee member is able to add value to the committee</b>	<b>Knowledge Gap/Training needs</b>
Risk management	<ul style="list-style-type: none"> <li>Risk management qualification</li> <li>Practical experience of applying risk management</li> <li>Knowledge of risks and opportunities associated with major areas of activity</li> </ul>	<p>Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice</p> <ul style="list-style-type: none"> <li>Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers</li> </ul>	<p>Diploma in Health and Safety, risk management and business continuity</p> <p>Could be helpful but not essential</p> <p>none</p>
Governance and legal	<ul style="list-style-type: none"> <li>Legal qualification and knowledge of specific areas of interest to the</li> </ul>	<ul style="list-style-type: none"> <li>Legal knowledge may add value when the committee considers areas of legal risk</li> </ul>	<p>Could be helpful but not essential</p> <p>None</p>

	committee, for example constitutional arrangements, data protection or contract law	or governance issues	
Service knowledge relevant to the functions of the organisation	<ul style="list-style-type: none"> <li>■ Direct experience of managing or working in a service area similar to that operated by the authority</li> <li>■ Previous scrutiny committee experience</li> </ul>	<ul style="list-style-type: none"> <li>■ Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context</li> </ul>	<p>Masters in Business management ILM in Leadership and management Housing Law Some contract law</p> <p>B&amp;Ts chair and vice chair Sub health and wellbeing Sub economic growth</p> <p>Worked in Refuse collection. Management in mid-tier business,</p> <p>Some relevant and appropriate knowledge</p> <p>I have a broad knowledge of the functions of the council gained from many years of experience</p>
Programme and project management	<ul style="list-style-type: none"> <li>■ Project management qualifications or practical knowledge of project management principles</li> </ul>	<ul style="list-style-type: none"> <li>■ Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews</li> </ul>	<p>Masters in Business management ILM in Leadership and management Housing Law Some contract law</p> <p>B&amp;Ts chair and vice chair Sub health and wellbeing Sub economic growth</p> <p>Managed projects within an</p>

			<p>organisation and risk assess</p> <p>I don't think specialist knowledge in this is essential for the Committee</p> <p>none</p>
Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee	Knowledge Gap/Training needs
IT systems and IT governance	<ul style="list-style-type: none"> <li>■ Knowledge gained from management or development work in IT</li> </ul>	<ul style="list-style-type: none"> <li>■ Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls</li> </ul>	<p>Trained to train in data protection and GDPR</p> <p>General understanding helpful, don't think specialist knowledge necessary for the Audi Committee</p> <p>none</p>