

Audit Committee - Member Development Proposal

Introduction

This proposal sets out, in draft, how a Member development programme might look for the Audit Committee. The Programme set out below takes its lead from the Committee terms of reference and seeks to provide comprehensive coverage of both those terms and the wider expectations of an Audit Committee as described by CIPFA.

Context

- The Terms of Reference for the Audit Committee were first drafted in 2012/13 and were most recently agreed in the Annual Council meeting in May 2018.
- The Audit Committee undertakes a self-assessment following CIPFA's Practical Guidance each year - this includes an assessment of skills and knowledge.
- The first assessment was undertaken in March 2015 after the Committee's second full year of operation.
- The most recent assessment for 2017/18 did not highlight any areas of specific concern or weakness.

Following the most recent assessment, Members of the Audit Committee made the following recommendation:

That Officers bring specific proposals for Member training to the next scheduled meeting of the Committee to allow further discussion of training requirements.

Previous training

Over the past 3 years a number of training sessions have been arranged and have been well attended by Members. Notably, joint training with Dartford Audit Board members in June 2017:

- **June 2015:** Role of Internal Audit
- **September 2015:** Risk Management
- **January 2017:** Joint training proposal (with Dartford) using CIPFA training brochure offering bite size sessions on 4 of the following sessions (topics highlighted below):
 - Case study using a standard internal audit report
 - Roles and responsibilities
 - Public Sector Internal Audit Standards (PSIAS)
 - Risk management
 - Corporate governance
 - Approving the annual accounts
 - Fraud and corruption
 - Value for money
 - Assurance gathering
 - How effective is the Audit Committee?

- **Monday 5th June 2017:** Training delivered by CIPFA on above 4 highlighted topics
- **Tuesday 13 June 2017:** Grant Thornton delivered training on the Statement of Accounts

Proposed Programme

The table below sets out 10 overall themes, with related topics that can be covered as part of training, development or briefing sessions. Each theme is linked to the Terms of Reference and includes suggested timings based on previous training history, and also relevance to the work plan:

Development Theme & Specific Topics	Ref to ToR	Suggested Timing	Training History
Internal Audit Activity <ul style="list-style-type: none"> - Committees role in relation to internal audit - Ensuring an effective internal audit process <ul style="list-style-type: none"> - Internal audit planning 	b, c, d, e	Jan - March in advance of audit plan	June 2017 (part covered)
Reviewing the Annual Governance Statement <ul style="list-style-type: none"> - The AGS within the Council's governance <ul style="list-style-type: none"> - Specific topics within the AGS - Comparative review of AGS across local gov 	k, m, n	Jan - March	
Countering Fraud <ul style="list-style-type: none"> - Whistleblowing <ul style="list-style-type: none"> - Investigative practice - Fraud risks and the Councils response <ul style="list-style-type: none"> - Governance polices 	g,	Flexible	June 2017
Risk Management <ul style="list-style-type: none"> - Ensuring effective risk management - Specific strategic and operational risks <ul style="list-style-type: none"> - Risk management strategy - Local government risk outlook 	k	July - In advance of risk management report in October	September 2015 & June 2017
Role of internal and external audit <ul style="list-style-type: none"> - Differences in internal/external audit role <ul style="list-style-type: none"> - Assuring effective external audit - External auditor appointment 	h, i, j, l	Flexible	June 2015 (Role of IA) June 2017 (part covered)
Understanding local authority accounts <ul style="list-style-type: none"> - General understanding of accounts <ul style="list-style-type: none"> - Specific update/annual issues - Comparative review of LG accounts 	q, r, s	n/a - working group	June 2017
Procurement and contract procedures <ul style="list-style-type: none"> - Contract Procedure Rules <ul style="list-style-type: none"> - Procurement risks - Effective procurement processes 	k	Flexible	
Assurance on value for money <ul style="list-style-type: none"> - How external audit assess VfM conclusion <ul style="list-style-type: none"> - Measuring value for money in local government - Data quality and performance measurement 	i	Flexible	

Development Theme & Specific Topics	Ref to ToR	Suggested Timing	Training History
Internal Audit Standards - IA Charter & Strategy - Public Sector Internal Audit Standards - Specific work on IA conformance & the EQA	a, f	March - July in advance of the Opinion	
Standards / Members Code of Conduct - Committees role in Standards - The Kent Code - Hearing practices	o, p	Flexible	

Putting the programme into practice

Invitations - Ensuring effective governance is something that all Members have a role in, and so invites could be open to all Members.

Resource - We can deliver most (if not all) of the briefings using experienced and qualified officers of the Council, but if necessary, bringing in some external expertise (for instance asking our external auditors to run a session).

Delivery options -

- Immediately preceding a meeting of the Audit Committee (this may maximise attendance - and would still allow other members to attend (30-45min sessions))
- During the meeting - dedicating a 20 min agenda item to include a briefing, delivered as part of the meeting
- Specific programmed events (such as an afternoon or as part of wider Member engagement sessions)

Timing - Sessions designed to complement future items on the work plan - making suggestions to enable healthy challenge when the reports are considered. I.e. briefing on the audit plan in Jan in advance of the plan approval in March.

Scope - The Member Development programme should be led from the Terms of Reference, to ensure that we equip Members with the knowledge necessary to fulfil their responsibilities.

AUDIT COMMITTEE - Terms of Reference

1. Introduction
 - 1.1 The Council will appoint the Audit Committee to discharge the functions conferred by the Accounts and Audit Regulations 2015 in relation to the matters set out below and specifically to consider the Council's Financial and Governance arrangements, relating to the system of internal control and the effectiveness of internal audit, the annual governance statement; including the arrangements for the management of business risks, in compliance with Regulations 3 and 6 of the Accounts and Audit Regulations 2015 and any subsequent legislation.
 - 1.2 The number of meetings and Terms of Reference of the Audit Committee may be reviewed from time to time by the Governance Committee which may report to the Council.
2. Membership of the Committee
 - 2.1 All Members of the Council, except members of the Cabinet or their deputies and the Chairman of the Council, may be members of the Audit Committee. However, no Member may be involved in reviewing a decision in which he/she has been directly involved.
 - 2.2 The Committee will be made up of 9 elected Members, one of which shall serve as Chairman, that follow the political proportionality of the Council. The Chairman will not be a member of any Cabinet Advisory Committee. The membership of the Committee can be found at Appendix H - Membership of Council Committees, Cabinet and Advisory Committees.
 - 2.3 The Audit Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. Any co-opted members must have the necessary technical knowledge and skills to be of value to the business of the Committee.
3. Terms of Reference of the Audit Committee

Audit Activity

- (a) To review, in collaboration with the Audit, Risk and Anti-Fraud Manager, the Internal Audit Charter on an annual basis and to consider and approve any further development of the Council's Internal Audit Charter, Strategy or terms of reference such as shall be appropriate.
- (b) To consider and approve the annual internal audit plan, including a summary of internal audit activity regarding the level of assurance that it can give over the Council's internal control, corporate governance and risk management arrangements. Further, to commission work as required from both Internal and External Audit.
- (c) To consider the Audit, Risk and Anti-Fraud Manager's annual report and assurance opinion.
- (d) To consider quarterly progress reports from the Audit, Risk and Anti-Fraud Manager regarding the progress of the Annual Internal Plan. The

Committee may request to review any individual audit report should they or the Audit, Risk and Anti-Fraud Manager deem it appropriate to do so.

- (e) To consider a report on the progress of all recommendations made by internal audit and other external regulatory or review agencies.
- (f) To receive and consider the annual report on the review of the effectiveness of the internal audit function.
- (g) To consider confidential reports on investigations carried out by Internal Audit of suspected fraud; corruption or bribery allegations within the Council or its partners.
- (h) To make proper arrangements regarding the appointment of the Council's External Auditor; to consider the appointed External Auditor's annual letter, relevant reports, and the report to those charged with governance.
- (i) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (j) To consider any external audit report resulting from the Statement of Accounts and any recommendations and comments received from the District Auditor.

Regulatory Framework

- (k) To maintain an overview of the effective development and operation of corporate governance and risk management in the Council, and to monitor compliance with statutory duties and the Council's Constitution in respect of Financial and Contract Procedure Rules.
- (l) To monitor Council policies on 'Raising Concerns at Work'; the anti-fraud and anti-corruption strategy; the Bribery Act; and the Council's complaints process; including the Council's whistleblowing arrangements.
- (m) To consider and approve the Council's Annual Governance Statement and recommend its adoption to Council
- (n) To monitor the Council's arrangements for corporate governance and if necessary to recommend actions to ensure compliance with best practice; and to also consider compliance with the Council's own and other published standards and controls.
- (o) To receive and consider reports from the monitoring officer on lawfulness and/or maladministration; to review any issue referred by the Chief Executive, a Chief Officer, or a Statutory Officer.
- (p) To monitor the implementation of the Members' Allowance Scheme.

Accounts

- (q) To review the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies, including International

Financial Reporting Standards, 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.

- (r) To approve the Statutory Statement of Accounts when the deadline for approval does not allow approval by full Council.
- (s) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, and comments received from the District Auditor.