

ORIGINATOR: CHIEF FINANCE OFFICER

PAPER NO: AC20/15

SUBMITTED TO: AUDIT COMMITTEE 25 JUNE 2021

SUBJECT: REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL 2020-21

SUMMARY:

1. The report advises the Committee on the annual review of the effectiveness of the system of internal control.
2. The effectiveness of the system of internal control for 2020-21 summarised within this report, includes Internal Audit's 2020-21 performance against pre-defined indicators, compliance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit's annual opinion, an assessment by the External Auditor, and a self-assessment of the Audit Committee.
3. The Accounts and Audit Regulations 2015 requires bodies to review the effectiveness of the system of internal control once a year and for the findings of the review to be considered by a Committee of the Body as a whole, as part of the consideration of the system of internal control.

RECOMMENDATIONS:

1. The Committee is asked to acknowledge that Internal Audit is compliant with the Regulations and Standards and that, through the self-assessments set out in this report, they can take assurance that there is an effective system of internal control.
2. The Committee is asked to consider the CIPFA self-assessment checklists (Appendices A and B) for Audit Committees and, in the course of its work throughout 2021-22, identify gaps and / or areas for improvement, and take action as necessary to ensure continued compliance.

DETAIL OF THE SUBMISSION

1. KEY ISSUES FOR CONSIDERATION:

Statutory requirements and relevant guidance

- 1.1 In accordance with the Accounts and Audit Regulations 2015 (the Regulations):-
- a) *Regulation 3:* A relevant authority must ensure that it has a sound system of internal control which:
 - facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - ensures that the financial and operational management of the authority is effective; and
 - includes effective arrangements for the management of risk.
 - b) *Regulation 6:* Bodies must, each financial year, conduct a review of the effectiveness of the system of internal control required by Regulation 3, and, following the review, the findings must be considered by a Committee of the Body as a whole.
- 1.2 The Committee is required to take a view on the tests of effectiveness set out in this report and the extent to which the system of internal control is effective against them.
- 1.3 There are two dimensions to this review:-
- a) the performance of the internal audit function; and
 - b) the effectiveness of the Audit Committee itself, to the extent that its work relates to internal audit.
- 1.4 The purpose of the review is to ensure that the opinion in the annual report on internal audit work (Paper AC21-12) may be relied upon as a key source of evidence in the Annual Governance Statements.
- 1.5 The review is primarily about effectiveness, not process. The focus of this review should be on the delivery of the internal audit service to the required standard in order to produce the required outcome (i.e. a reliable assurance on internal control and the management of risks).
- 1.6 The Regulations require either the Body itself, or a Committee of the Body, to review the effectiveness of the system of internal control. The Department for Communities and Local Government (DCLG) guidance suggests that where there is an Audit Committee, this is the appropriate group to receive and consider the results of the review, as this Committee already has oversight of internal audit.
- 1.7 This is not a review which will be carried out by the External Auditor as part of the annual audit. External Audit will review elements of Internal Audit's work to assess what reliance can be placed upon it for the purpose of the audit of the accounts. However, this will not cover all elements of the system of internal

control and, therefore, in the External Auditor's view, cannot be relied upon to fulfil the requirements of the Regulations.

Testing the Effectiveness of the System of Internal Audit

INTERNAL AUDIT

2020-21 Audit Work Undertaken – Performance Indicators

- 1.8 The Audit Committee agreed the Internal Audit Plan for 2020-21 on 27 March 2020 (Paper AC20-04).
- 1.9 Internal Audit carries out a programme of work which is at a level necessary to satisfy the legal and professional obligations of the PCC and Chief Constable. TIAA provided the internal audit service to Suffolk PCC and Chief Constable in 2020-21. The 2020-21 internal audit plan was a joint one with Norfolk PCC and Chief Constable, with a combined total of 330 audit days for the year.
- 1.10 In 2020-21, 70 recommendations were made, including 14 operational effectiveness opportunities.
- 1.11 Customer surveys are issued after each audit. Information obtained from these provides Internal Audit with valuable feedback on their processes (before, during and reporting the audit). Responses received have indicated a satisfactory or above level of service.
- 1.12 The target to despatch a minimum of 95% of audit reports within 10 working days of completion was met with 100% being achieved. In addition, the other performance indicators – a) completion of planned audits; b) audit completed within time allocation and c) compliance with Public Sector Internal Auditing Standard all achieved 100%.

Compliance with the Public Sector Internal Audit Standards

- 1.13 The Public Sector Internal Audit Standards (PSIAS) ('the Standards') provide a framework for measurement, management and monitoring of the internal audit function.
- 1.14 To measure compliance with the Standards, a checklist has been devised by CIPFA. TIAA undertake an annual assessment against the Standard which is carried out by an independent organisation to TIAA. The outcome of this assessment is that TIAA are fully compliant with the PSIAS.

Annual Governance Report

- 1.15 The 2019/20 Audit Results Report and Management Representation Letter are expected to be presented to the Audit Committee by Ernst and Young in the autumn Of 2021.

Quality Assurance

- 1.16 Internal Audit, in striving to achieve its objectives, operates a Quality Assurance System which meets the standard of ISO 9001:2008. The Quality Management Systems operated provide a framework of credibility, support and control which enables the service to be directed and managed so that the needs, wishes and

expectation of all customers can be balanced to greatest effect against the coverage necessary to meet statutory requirements and taking into account the views of any external assessors. Compliance with the standard is assessed annually. The last assessment, in 2017, confirmed that Internal Audit has “established and maintained its management system in line with the requirements of ISO 9001:2008 and demonstrated the ability of the system to systematically achieve agreed requirements for products or services within the scope and the organisation’s policy and objectives”.

Annual Report & Opinion of the Head of Internal Audit

- 1.17 “TIAA is satisfied that, for the areas reviewed during the year, the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies has reasonable and effective risk management, control and governance processes in place,

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Police and Crime Commissioners for Norfolk and Suffolk and the Chief Constables of Norfolk and Suffolk Constabularies from its various sources of assurance.”

AUDIT COMMITTEE

Audit Committee Toolkit

- 1.18 The effectiveness of the system of internal control should include the effectiveness of the Audit Committee itself. Good corporate governance requires independent, effective assurance about both the adequacy of financial management and reporting, and the management of other processes required to achieve the PCC and Constabulary’s corporate and service objectives.
- 1.19 This Committee has wider terms of reference than the Code. It is important that there is independent assurance about the mechanisms underpinning these aspects of governance. Specifically:
- a) **independent assurance** of the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements;
 - b) **independent review** of financial and non-financial performance to the extent that it affects the PCC and Constabulary’s exposure to risk and weakens the control environment, and
 - c) **assurance** that any issues arising from the process of drawing up, auditing and certifying the annual accounts are properly dealt with and that appropriate accounting policies have been applied.
- 1.20 CIPFA has produced a “Self-assessment of Good Practice” checklist for Audit Committees. This provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the

Committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee. The checklist, shown as Appendix A, was completed by the CFO and Chief Executive.

- 1.21 A second self-evaluation checklist – “Evaluating the Effectiveness of the Audit Committee”, has also been produced by CIPFA. This is shown as Appendix B and has also been completed by the CFO and Chief Executive.
- 1.22 The completed checklists show that the Audit Committee have fully discharged statutory responsibilities (including managing the interaction between the systems of internal control and internal audit) and have an understanding of what their requirements are.
- 1.23 Whilst there have been no issues arising in the year in respect of member competency with regards to the Audit Committee, it would be beneficial for all Committee members to familiarise themselves with CIPFA’s core knowledge and skills framework for Audit Committee members (see Appendix C for details). This could be used to inform any individual or for collective training needs.

How do we measure up?

- 1.24 From the work undertaken, the Committee can take assurance that there is an effective system of internal control. Compliance with the Public Sector Internal Audit Standards, Accounts and Audit Regulations and CIPFA guidance, together with continued accreditation to the Quality Assurance Standard, and the results of customer satisfaction surveys, show high levels of effectiveness are being achieved.

2. FINANCIAL IMPLICATIONS

- 2.1 This report will not alter the current level of costs to the PCC.

3. OTHER IMPLICATIONS AND RISKS

- 3.1 There are no significant risks to record in the risk register as a result of this report.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	NO
Has the PCC's Chief Finance Officer been consulted?	YES
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	YES
Have human resource implications been considered?	YES
Is the recommendation consistent with the objectives in the Police and Crime Plan?	YES
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	YES
Has communications advice been sought on areas of likely media interest and how they might be managed?	NO
Have all relevant ethical factors been taken into consideration in developing this submission?	YES

Self-assessment of Good Practice

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	√		
2	Does the audit committee report directly to full council? (Applicable to local government only.)	n/a		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	√		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√Δ		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	√		
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.	√		
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?	√		
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?	√		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	n/a		
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?	√		
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected?			
	This should include:			

Good practice questions		Yes	Partly	No
	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.	√		
13	Does the chair of the committee have appropriate knowledge and skills?	√		
14	Are arrangements in place to support the committee with briefings and training?	√		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	√x		
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√		
17	Is adequate secretariat and administrative support to the committee provided?	√		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		√	
19	Has the committee evaluated whether and how it is adding value to the organisation?			√
20	Does the committee have an action plan to improve any areas of weakness?			√

Key

- △ **The Audit Committees role and purpose are known by the Office of the PCC and Senior Officers within the Constabulary.**
- × **Assessment was undertaken as part of the initial interview process for Audit Committee members.**

Evaluating the Effectiveness of the Audit Committee

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: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	<p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>Working with key members/governors to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<p>PCC & Constabulary Annual reports on AGS; Internal Audit work; Review of Effectiveness.</p> <p>Principles were promoted to new committee members as part of the induction training.</p> <p>Internal Audit outcomes.</p> <p>PCC & Constabulary Annual reports on AGS</p> <p>Ad-hoc papers.</p> <p>Collaboration with Norfolk.</p>	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: 5 – 1 See key above
Contributing to the development of an effective control environment.	<p>Monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>Internal Audit outcomes / follow-ups; Specific Audit Committee papers.</p> <p>Consideration of Annual Governance Statements; Audit Committee Pre-briefing;</p> <p>Specific Audit Committee Papers.</p>	4
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements. Holding risk owners to account for major/strategic risks.</p>	<p>Annual Report on Risk Management from Chief Executive.</p> <p>Audit outcome reports, monitoring of significant governance issues from Annual Governance Statements.</p>	4
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeking to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.</p>	<p>Schedule of Business / Terms of Reference / Audit Committee Papers /Annual Governance Statements /Code of Corporate Governance.</p> <p>Schedule of Business.</p> <p>Annual Review of Effectiveness; Annual Risk Management Report; External Audit Reports.</p>	4
Supporting the quality of the internal audit activity, particularly by underpinning its	Reviewing the audit charter and functional reporting arrangements.	Reports from Internal Audit to the Audit Committee. The Internal Audit Charter was presented to the Audit	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: 5 – 1 See key above
organisational independence.	Assessing the effectiveness of internal audit arrangements and supporting improvements.	Committee on 26 June 2015 (Paper AC15/10). Annual Review of Effectiveness.	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p> <p>Reviewing the effectiveness of performance management arrangements.</p>	<p>Ad-hoc papers to Audit Committee – e.g. Programme Management. Annual Governance Statements.</p> <p>Responsibility of the Accountability & Performance Panel</p>	4
Supporting the development of robust arrangements for ensuring value for money.	<p>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee.</p> <p>Considering how performance in value for money is evaluated as part of the AGS.</p>	<p>Terms of Reference; Ad-hoc papers / reports; Annual Report on AGS.</p> <p>Consideration of External Auditors Reports.</p>	4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standards set out by CIPFA</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements.</p>	<p>The draft Confidential Reporting and Whistleblowing Policy considered by the Audit Committee on 23 September 2014 was formally issued on 20 January 2016.</p> <p>Annual letter to the External Auditor on understanding fraud risk.</p> <p>Paper AC17/19 (22 September 2017 Audit Committee) on Updating on Embedding of the Code of Ethics.</p>	4
Promoting effective public reporting to the authority's stakeholders and local community and	Improving how the authority discharges its responsibilities for public reporting; for	Suffolk Police and Crime Commissioner website – Audit Committee public meeting.	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: 5 – 1 See key above
<p>measures to improve transparency and accountability.</p>	<p>example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p>	<p>http://www.suffolk-pcc.gov.uk/public-meetings/audit-committee</p> <p>Compliance with the 'Specified Information Order' (and Internal Audit thereon).</p> <p>Compliance with Information Commissioner's Definition Document for PCC.</p> <p>Annual Governance Statements.</p> <p>Scheme of Governance and Consent.</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>	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.
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>	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.
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>
Internal audit	<p>An awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note.</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</p>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
		confident that professional standards are being followed.
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 CIPFA Statement on the Role of the Chief Financial Officer in Local Government.</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>
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</p>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
		the application of risk management practice.
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>
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<p>Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are:</p> <p>regulatory requirements</p> <p>treasury risks</p> <p>the organisation's treasury management strategy</p> <p>the organisation's policies and procedures in relation to treasury management.</p>	Treasury management is not within the terms of reference of the Audit Committee.

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
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.
Service knowledge relevant to the functions of the organisation	<p>Direct experience of managing or working in a service area similar to that operated by the authority.</p> <p>Previous Scrutiny Committee experience.</p>	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.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
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.
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.

Skills	Key elements	How the audit committee member is able to apply the skill
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.