

**MAIDSTONE BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**15 JULY 2013**

**REPORT OF HEAD OF AUDIT PARTNERSHIP**

**Report prepared by Brian Parsons**

**1. AUDIT COMMITTEE – MEMBER SKILLS**

1.1 Issue for Decision

1.1.1 To consider the adoption of a skills matrix for the Audit Committee which will help to inform the selection process for the Committee and identify training needs for new and existing members.

1.2 Recommendation of the Head of Audit Partnership

1.2.1 That the Committee adopt the skills matrix shown at Appendix 1

1.3 Reasons for Recommendation

1.3.1 The CIPFA publication, 'Audit Committees – Practical Guidance for Local Authorities' published in 2005, states that:

To be effective, the members of the audit committee will require certain skills and will benefit from having gained experience in some of the key areas to be considered by the committee. Whilst financial awareness is essential, particularly for the chair, an accounting background or qualification is less important than a broad understanding of the financial, risk and control, and corporate governance issues facing local authorities generally and the council specifically. An ability to question, probe and seek clarification about complex issues is also essential.

1.3.2 The guidance goes on to suggest that all audit committee members should be familiar with:

a. governance – understanding of the requirements of legislation and of local arrangements

b. risk management

- c. internal control assurance
  - d. the organisation's core activities
  - e. accounting issues
  - f. regulation and compliance.
- 1.3.3 A strong and focused Audit Committee not only needs to have stability within its membership but must also ensure that it refreshes its knowledge and skills in addition to expanding its abilities. It must also be recognized that membership of the Committee does change and therefore the skills of the collective Committee membership will change as well.
- 1.3.4 Identifying sufficient members with appropriate skills and experience can be difficult, especially as many such members may already be serving on other committees and thus may not be eligible for membership. Appropriate and timely training for members will help to overcome this problem and build upon the key attributes of independence, a risk-focused attitude, and balanced approach that members should already possess.
- 1.3.5 In the context of skills, it is important to value the skill of being able to ask what may be considered to be, the 'obvious' question. This question, which perversely can be the one that no one asks, can be the key to opening a discussion and thereby informing the Committee about the deeper meaning and potential impact of the matter under consideration.
- 1.3.6 The National Audit Office (NAO) published a good practice guide in January 2012 titled 'The Audit Committee self-assessment checklist. The guide covered a set of good practice questions relating to skills. The NAO is referring to Audit Committees within central government, however the principles are largely appropriate in a local government context.
- 1.3.7 The adoption of a skills matrix will help to inform the selection process for the Committee and identify areas for future training for new and existing members of the Committee.
- 1.3.8 The Committee already has a training plan, which is largely built around the CIPFA guidance but the plan was compiled in isolation from any assessment of skills. The use of the skills matrix will mean that future training can be provided to meet identified needs. However, it is equally important that members of the Audit Committee are pro-active

in raising training related issues so that they can be addressed and a training solution found.

### The Matrix

1.3.9 A skills matrix is shown at Appendix 1. The matrix attempts to bring together the areas set out in the CIPFA guidance and the National Audit Office best practice publication. It also includes some specific aspects that have been referred to at a more local level.

1.3.10 If Members are satisfied that the matrix is appropriate and sufficiently comprehensive, it can be adopted by the Committee.

### 1.4 Alternative Action and why not Recommended

1.4.1 To be effective, the members of the audit committee will require certain skills and will benefit from having gained experience in some of the key areas to be considered by the committee. The skills matrix provides a means of identifying whether members possess those skills and therefore whether training is required.

### 1.5 Impact on Corporate Objectives

1.5.1 The Council is committed to good standards of governance which underpin the achievement of all of the corporate objectives. An effective Audit Committee is a key element of good governance.

### 1.6 Risk Management

1.6.1 The introduction of a skills matrix for the Audit Committee may be seen as an unnecessary step and a discouragement for Members to put themselves forward to serve on the Committee. Hopefully, for the reasons set out in this report, this will not be the case.

### 1.7 Other Implications

#### 1.7.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development

X

6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management


1.7.2 There may be a small cost in providing the training that is identified by the completion of the skill matrix. It is anticipated that this will be met from existing budgets.

## 1.8 Relevant Documents

1.8.1 Appendices: Appendix 1 Audit Committee Skills Self Assessment Matrix.

### 1.8.2 Background Documents

'Audit Committees – Practical Guidance for Local Authorities' published in 2005 by CIPFA.

'The Audit Committee self-assessment checklist' – published January 2012 by the National Audit Office.

**IS THIS A KEY DECISION REPORT?**

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because: .....

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Wards/Parishes affected: .....

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