

Report of the Director of Finance and IT to the meeting of the Governance and Audit Committee to be held on 23 March 2023

AG

Subject:

Review of the Effectiveness of the Governance and Audit Committee and consideration of the Appointment of Independent Members to the Governance and Audit Committee.

Summary statement:

This report is a review of the level of compliance by the Council's Governance and Audit Committee with the Chartered Institute of Public Finance and Accountancy 2022 position statement on Audit Committees in Local Authorities and the Police.

EQUALITY & DIVERSITY:

An effective Governance and Audit Committee provides assurance that the appropriate decision making processes and accountability arrangements are in place which allows Service Objectives to be delivered in accordance with the Council's equality policies.

Christopher Kinsella
Director of Finance and IT

Report Contact: Mark St Romaine
Phone: (01274) 432888
E-mail: mark.stromaine@bradford.gov.uk

Portfolio:

**Corporate
Improvement Area:**

Corporate

1 SUMMARY

- 1.1 This report provides a review of the level of compliance by the Council's Governance and Audit Committee (GAC) with the Chartered Institute of Public Finance and Accountancy (CIPFA) 2022 position statement on Audit Committees in Local Authorities and the Police. The report also covers the GAC's specific responsibilities in relation to the West Yorkshire Pension Fund (WYPF).
- 1.2 Whilst this report suggests a number of improvements, the 2022 position statement also recommends the appointment of independent members to the Audit Committee. This report also details the issues around the appointment of independent members.

2. BACKGROUND

- 2.1 In 2022 CIPFA updated its Position statement on Audit Committees in Local Authorities and the Police with supporting guidance. The position statement details the purpose of an Audit Committee, its independence, its objectivity and the powers an Audit Committee must have to fulfil its duties. The position statement identifies an Audit Committee's membership, characteristics, its engagements and outputs along with the impacts an Audit Committee is looking to achieve.
- 2.2 The core functions of an Audit Committee as set out in CIPFA's Position Statement are listed below.

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit

- promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

2.3 The 2022 Position Statement is supported by further guidance which includes a self-assessment tool to establish the Council’s compliance with the guidance. This has been completed by key officer stakeholders on behalf of the GAC. The five stakeholders were Internal Audit and Risk, Accountancy, Corporate Fraud Unit, the WYPF and Governance Scrutiny and Member Support. The assessment tool asks forty questions with a score of five for high compliance and one for no compliance. Not all the stakeholders were able to assess all the questions but the level of compliance assessed by each team was as follows:

Service	Percentage Compliance
Internal Audit and Risk	80%
Accountancy	80%
Corporate Fraud Unit	100%
WYPF	88%
Governance, Scrutiny and Member Support	79%

The average mark against each question is detailed in Appendix A.

2.4 The guidance also details the knowledge and skills Audit Committee members require in order to successfully fulfil the function. This is detailed in Appendix B. In addition, the Prudential Code for 2023-24 expects “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.”

3 OFFICER FEEDBACK OF BRADFORD COUNCIL’S GOVERNANCE AND AUDIT COMMITTEE

3.1 Overall the GAC performs its functions well, especially the technical aspects of the role including the examination of the accounts and management of the audit process. This level of compliance is also achieved for the WYPF which requires a member of the WYPF Committee to be on the GAC. However, there are areas where the GAC could implement changes to increase compliance. The most significant of these are listed below:

- 3.1.1 Undertake an annual evaluation to assess whether the GAC is fulfilling its terms of reference and that adequate consideration has been given to all core areas. This should include examining how it is adding value to the

- organisation
 - 3.1.2 Appointment of an Independent Member/s
 - 3.1.3 Assess GAC Members against the CIPFA core knowledge and skills framework.
 - 3.1.4 Set up a process to obtain feedback on the GAC's performance from those interacting with the GAC or relying on its work
 - 3.1.5 The GAC should publish an annual report to account for its performance and explain its work
- 3.2 External Audit was also consulted on the GAC's performance and compliance and they broadly shared the same view of the GAC's performance as the internal officer contribution.

4 WEST YORKSHIRE PENSION FUND (WYPF)

- 4.1 Bradford Council is the administering authority for the WYPF. The GAC fulfils its role for both the Council and WYPF. Technically it must discharge the functions contained in Part H of Schedule 1 of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (functions relating to local government pensions) and Part I, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory Panel and the Joint Advisory Group. The GAC must also manage external audit on behalf of the WYPF and agree the Statutory Accounts. This limits the time the GAC has to spend on the review of other areas which other Council's audit committees may look at. This is often in the area of analysing specific strategic risks.
- 4.2 The WYPF recognises the usefulness of the GAC as a decision making committee due to the continued need for the GAC to approve items which have either not progressed through the WYPF Joint Advisory Group or need approval in advance of the next meeting. Clearly, if the decision making powers of the GAC were withdrawn then they would move elsewhere, but any new decision making forum may not be as effective for the WYPF.
- 4.3 Most WYPF reports are purely for noting. The GAC is very good at listening and commending the good work of the WYPF.
- 4.4 Pensions and Investment experience on the GAC is limited. However currently the WYPF Chair who is also a member of GAC does have considerable pension governance knowledge. The level of knowledge and the scrutiny provided by the GAC membership appears good, however when pension decisions are to be made by the GAC then there is a reliance on WYPF officers providing balanced support and advice.

5. INDEPENDENT MEMBERS

- 5.1 CIPFA has recommended the appointment of at least two co-opted independent members to Audit Committees in England to provide appropriate technical expertise. Although there is no current legal requirement to do so, the government is considering making it a statutory requirement to include an independent member on audit committees. The GAC at present does not have an independent member. If it is decided to take this route the role will need to be advertised. Finding a suitable

candidate may take time and whether the post holder would be paid an allowance would need to be considered. Any proposals to pay co-opted independent members an allowance or expenses would need to be considered by the Independent Remuneration Panel.

- 5.2 Generally the Local Government Act 1972 and the Local Government and Housing Act 1989 provides that co-opted members appointed to committees of the Council can only be non-voting members. There are a number of limited exceptions for example advisory committees where co-opted members can be given voting rights. In view of certain roles and functions of the GAC which could be said to be non-advisory for example approving the Statement of Accounts and the GAC's wider remit in particular its roles and functions in respect of West Yorkshire Pension Fund, if it is decided to appoint independent members to the GAC, it is recommended that they be non-voting independent members.
- 5.3 There are some potential pitfalls to the use of independent members that should also be borne in mind.
- Over-reliance on the independent members by other committee members can lead to a lack of engagement across the full committee.
 - A lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports.
 - Both independent members and officers/staff must try to establish an effective working relationship and appropriate protocols for briefings and access to information.
- 5.4 A clear role description should be established which addresses the following areas:
- The role of the co-opted independent member, including expected time commitment and location of meetings.
 - The suggested appointment period and options for renewal (two terms would be a suggested maximum appointment period).
 - The definition of 'independent' applicable to the role.
 - Any restrictions or conflicts of interest that would make a candidate unsuitable. As the role is non-political and requires working with elected representatives in a local authority, it is recommended that candidates should not be political party members.
 - Vetting requirements.
 - Desired knowledge, experience and skills.
 - Payment of allowances and expenses if any.
 - The expected conditions of engagement, including adherence to the authority's Members' code of conduct, disclosure of interests, etc.
- 5.5 Consideration needs to be given to attracting suitable candidates. Normal practice in recruitment for non-executive roles such as this will be a CV and supporting letter. Adopting this approach may assist in attracting candidates. The inclusion of the current GAC chair in this process would be essential and the opportunity to meet senior Councillors would emphasise the value of the GAC.
- 5.6 It must be noted that neighbouring Councils have had significant difficulty in recruiting to their independent member roles.

6. OTHER CONSIDERATIONS

- 6.1 Whilst the CIPFA code of compliance should be considered, the Council has the authority to determine its own arrangements for the maintenance of good governance. For each authority this will be dependent on specific local circumstances. For instance, whilst some items may be considered in one authority at the audit committee, at another the discussion may be at Overview and Scrutiny Committee. The workload of the GAC is extremely heavy with two sets of accounts and audit arrangements to monitor. Realistically taking a more in depth view of the Council's operations is not feasible on a systematic basis.

7. FINANCIAL & RESOURCE APPRAISAL

- 7.1 A number of the options available to the Council if adopted relate to working practices which have no financial affect. A number of options such as the appointment of independent members or further training may have costs attached but these will not be significant.

8. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 8.1 The effective operation of the GAC is essential for the Council's management of risk.

9. LEGAL APPRAISAL

- 9.1 Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs.
- 9.2 The Accounts and Audit Regulations 2015 state that a local authority is responsible for "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". CIPFA states that Audit committees in local authorities are necessary to satisfy the wider requirements for sound financial management and internal control.
- 9.3 A person who is disqualified under the Local Government Act 1972 for being a member of the Local Authority is also disqualified for being a member of a committee of that authority
- 9.4 The Local Authorities (Members' Allowances) (England) Regulations 2003 permit the Council to pay an allowance to a co-opted Member of a Committee. This would require the Members' Allowances Scheme to be amended to provide for this. The Scheme can only be amended by Full Council, which must have regard to a report from the Independent Remuneration Panel on such a proposal.
- 9.5 Section 102 (3) Local Government and Housing Act 1972 stipulates that a committee

which discharges a function of the Council can include co-opted members except where it is a committee for regulating and controlling the finance of the local authority. Pursuant to Section 13 (1) of the Local Government and Housing Act 1989 a co-opted member of a committee established under Section 102 of the Local Government Act 1972 to discharge the functions of the Council must be a non-voting member. The Local Government and Housing Act 1989 provides a number of limited exceptions allowing a co-opted member to be given voting rights for example on certain advisory committees appointed under the Local Government Act 1972. If the independent members were to be given voting rights they could only vote on advisory recommendations and not items requiring a decision. In view of certain roles and functions of the GAC for example approving the Statement of Accounts and the GAC's wider remit in particular its roles and functions in respect of West Yorkshire Pension Fund, it is advisable that any co-opted independent members appointed to the GAC be non-voting.

10. OTHER IMPLICATIONS

10.1 SUSTAINABILITY IMPLICATIONS

- The operation of an effective GAC ensures the Council's decision making complies with the principles of delivering good governance which includes the Council being able to deliver defined outcomes on a sustainable basis within the resources available.

10.2 GREENHOUSE GAS EMISSIONS IMPACTS

- There are no direct impacts on Greenhouse Gas Emissions

10.3 COMMUNITY SAFETY IMPLICATIONS

- There are no direct community safety implications.

10.4 HUMAN RIGHTS ACT

- There are no direct Human Rights Act implications.

10.5 TRADE UNION

- There are no implications for the Trade Unions arising from the report.

10.6 WARD IMPLICATIONS

- Specific Ward Issues are not normally areas of discussion for the GAC whose responsibilities are on a Council wide basis.

10.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None

10.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

11. NOT FOR PUBLICATION DOCUMENTS

None

12. OPTIONS

12.1 Option 1

To agree to the following in order to achieve full compliance with the CIPFA guidance:

- 12.1.1 An annual evaluation to be undertaken to assess whether the GAC is fulfilling its terms of reference and that adequate consideration has been given to all core areas. This should include examining how GAC is adding value to the organisation
- 12.1.2 To assess the membership of the GAC against the core knowledge and skills framework to ensure it is satisfactory.
- 12.1.3 That the GAC set up a process to obtain feedback on its performance from those interacting with the committee or relying on its work
- 12.1.4 That the GAC publish an annual report to account for its performance and explain its work
- 12.1.5 To recommend to Council that Article 9 of the Council's constitution be amended so that the composition of GAC includes 2 non-voting co-opted independent members, subject to a recruitment process. It is also recommended to Council that the recruitment process of the independent members be delegated to the Director of Finance and IT in consultation with the Chair of Governance and Audit Committee.

12.2 Option 2

- 12.2.1 To agree to some but not all of the matters set out in 12.1.1 to 12.1.5 above.

13. RECOMMENDATIONS

- 13.1 That the GAC agree to implement the options detailed in paragraphs 12.1.1 to 12.1.4 of this Report.
- 13.2 That the GAC recommend to Council that Article 9 of the Council's constitution be amended so that the composition of GAC includes 2 non-voting Independent Members, subject to a recruitment process.
- 13.3 That the GAC recommend to Council that the recruitment process of the Independent Members be delegated to the Director of Finance and IT in consultation with the Chair of Governance and Audit Committee.

14. APPENDICES

- Appendix A: Officer Assessment of Bradford Governance and Audit Committee compliance against CIPFA's Position Statement Audit Committee in Local Authorities and Police 2022

Appendix B: Audit Committee Members Knowledge and Skills Framework

15. BACKGROUND DOCUMENTS

- CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022
- Audit committees Practical Guidance for Local Authorities and Police 2022 Edition.
CIPFA
- Council Constitution Article 9 Governance and Audit Committee

Appendix A

Officer Assessment of Bradford Governance and Audit Committee compliance against CIPFA's Position Statement Audit Committee in Local Authorities and Police 2022

No	Key Question	Categorisation	Score	Reason for Assessment and Possible Further Action
	Audit committee purpose and governance			
1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	No Further Improvement	4.2	The Governance and Audit Committee (GAC) role as determined by the Constitution is not combined with other functions. The Council has a separate Standards Committee and the Overview and Scrutiny Function is separate including a Corporate Scrutiny Committee. It does have functions in respect of WYPF and community governance reviews.
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	No Further Improvement	5.0	The GAC reports directly to Council
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	No Further Improvement	4.3	THE GAC generally refers its recommendations to Council as the decision making authority
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	Moderate Improvement	3.3	The GAC had assessed its compliance with the previous 2018 guidance but this assessment process needs to be completed for the 2022 position statement.
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Minor Improvement	4.0	Council Management Team and Council have an overall understanding of the GAC's purpose. The GAC has been in existence for many years and its role very stable. There would be merit in reiterating the position to interested parties.
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	Moderate Improvement	3.8	The GAC can escalate matters to the Council. This has not been required recently. It could be helpful to clarify how issues are escalated and the options available to the GAC

7	Does the governing body hold the audit committee to account for its performance at least annually?	Moderate Improvement	3.0	There is no formal performance report issued by the GAC for consideration by Council.
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:			
	• compliance with the CIPFA Position Statement 2022	Moderate Improvement	3.0	There is no formal performance report issued by the GAC for consideration by Council.
	• results of the annual evaluation, development work undertaken and planned improvements	Moderate Improvement	3.0	There is no formal performance report issued by the GAC for consideration by Council.
	• how it has fulfilled its terms of reference and the key issues escalated in the year?	Moderate Improvement	3.0	There is no formal performance report issued by the GAC for consideration by Council.
Functions of the Committee				
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?			
	Governance arrangements	No Further Improvement	5.0	Included in the Constitution Article 9
	Risk management arrangements	No Further Improvement	4.5	Included in the Constitution Article 9
	Internal control arrangements, including:• financial management value for money• ethics and standards• counter fraud and corruption	No Further Improvement	4.6	Included in the Constitution Article 9
	Annual governance statement	No Further Improvement	5.0	Included in the Constitution Article 9
	Financial reporting	No Further Improvement	4.0	Included in the Constitution Article 9
	Assurance framework	No Further Improvement	4.3	Included in the Constitution Article 9
	Internal audit	No Further Improvement	4.5	Included in the Constitution Article 9
	External audit	No Further Improvement	4.3	Included in the Constitution Article 9
10	Over the last year, has adequate consideration been given to all core areas?	No Further Improvement	4.3	The key areas of the Committees responsibility have all been covered within the agenda or the Forward Plan
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	No Further Improvement	5.0	The GAC has focused on its core functions over the last three years
12	Has the committee met privately with the external auditors and head of internal audit in the last year?	Minor Improvement	4.0	The GAC has not met privately with either external or Internal Audit however the Chair has met

				privately through the normal consideration of business. If there was a requirement for a private broader meeting this would be facilitated.
	Membership and Support			
13	Has the committee been established in accordance with the 2022 guidance as follows?			
	<ul style="list-style-type: none"> • Separation from executive 	No Further Improvement	5.0	There are no members of the Executive on the GAC. Article 9 provides that either the Chair or Deputy Chair shall not be a member of Executive.
	<ul style="list-style-type: none"> • A size that is not unwieldy and avoids use of substitutes 	No Further Improvement	5.0	The current size of five permanent members is within CIPFA's guidance for effective committees.
	<ul style="list-style-type: none"> • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 	Significant Improvement	2.3	There are no lay members of the GAC though there is no statutory requirement for the GAC to do so.
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	Moderate Improvement	3.0	All the GAC members are experienced Councillors with several members having a wide knowledge and understanding of other Committees. One Councillor is also a member of the Joint Committee for the West Yorkshire Pension Fund. However there has been no formal assessment of the current GAC's skill set.
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	Significant Improvement	2.3	There has been no recent evaluation of the knowledge and skills of members to complete their roles. Training has been made available on specific tasks
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	Moderate Improvement	3.0	Training has been made available on specific responsibilities such as the Accounts and Treasury Management. There is also the generic training made available to all Councillors including induction. The 2022 Guidance has only recently been issued so there has been no opportunity to update members. This report should help facilitate members understanding.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	Moderate Improvement	3.5	The 2022 Guidance has only recently been issued so no opportunity to update members.

				This report should help facilitate members understanding.
18	Is adequate secretariat and administrative support provided to the committee?	No Further Improvement	4.6	Current Secretariat and administrative support is available to the Committee. The GAC administration is effective with the punctual production of reports with Committees held in accordance with the timetable and forward plan.
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	No Further Improvement	4.6	The GAC maintains professional relationship with all Senior Officers, Councillors, Internal and External Audit. A small improvement would be wider attendance at GAC meetings from Senior Officers.
	Effectiveness of the committee			
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	Minor Improvement	4.0	There has been no negative feedback including the key stakeholder which is External Audit. However this has not been confirmed through formal consultation.
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	No Further Improvement	4.8	The GAC is chaired professionally with the business of the GAC being well managed and the arguments focused on the key requirements
22	Are meetings effective with a good level of discussion and engagement from all the members?	No Further Improvement	4.6	There is strong and relevant discussions held on all the items. Further training may facilitate an increased level of engagement on the highly technical matters discussed by the GAC
23	Has the committee maintained a non-political approach to discussions throughout?	No Further Improvement	4.5	The GAC is a non partisan committee and political issues are not discussed.
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	No Further Improvement	4.6	On some occasions in relation to follow up recommendations or key governance issues the GAC could benefit from Senior Management being present for the item.
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	No Further Improvement	4.6	The GAC does make recommendations for the improvement of governance, risk and control arrangements as required. The GAC could take a more proactive approach to Risk Management if it could find

				additional time to consider this area.
26	Do audit committee recommendations have traction with those in leadership roles?	No Further Improvement	4.2	The GAC is respected across the Council and the GAC has been a key driver of ensuring both internal and external audit recommendations have been implemented by Management.
27	Has the committee evaluated whether and how it is adding value to the organisation?	Moderate Improvement	3.0	There has been no recent self analysis of the added value provided by the GAC.
28	Does the committee have an action plan to improve any areas of weakness?	Moderate Improvement	3.0	Once this review has been completed an action plan to improves areas of weakness will be prepared and monitored.
29	Has this assessment been undertaken collaboratively with the audit committee members?	Moderate Improvement	3.0	This review of GAC effectiveness will be shared with the GAC so that they can have the opportunity to fully contribute to the report's findings and outcomes.

Classification of Table Contents

Does Not Comply	Partially Complies and extent of improvement needed			Fully Complies
Major Improvement	Significant Improvement	Moderate Improvement	Minor Improvement	No Further Improvement
1	2	3	4	5

: Appendix B

Audit Committee Members Knowledge and Skills Framework

Knowledge Area	Details of Core Knowledge Required
Organisational knowledge	<ul style="list-style-type: none"> • An overview of the authority’s governance structures and decision making processes. • Knowledge of the organisational objectives and major functions of the authority.
Audit committee role and functions	<ul style="list-style-type: none"> • 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. • Knowledge of the purpose and role of the audit committee.
Governance	<ul style="list-style-type: none"> • Knowledge of the seven principles as outlined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). • The requirements of the AGS. • How the principles of governance are implemented locally as set out in the local code of governance
Internal audit	<ul style="list-style-type: none"> • An awareness of the key principles of the PSIAS and the LGAN. • Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. • How the role of the head of internal audit is fulfilled. • Details of the most recent external assessment and level of conformance with the standards. • Internal audit’s strategy, plan and most recent annual opinion.
Financial management and financial reporting	<ul style="list-style-type: none"> • Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • An understanding of good financial management practice as set out in the CIPFA Financial Management Code (FM Code) and the level of compliance with it. • Knowledge of how the organisation meets the requirements of the role of the CFO as required by The Role of the Chief Financial officer in Local Government (CIPFA, 2016) • An overview of the principal financial risks the authority faces.
External audit	<ul style="list-style-type: none"> • Knowledge of the role and functions of the external auditor and who currently undertakes this role. • Knowledge of the key reports and assurances that external audit will provide. • Familiarity with the auditor’s most recent plan and the opinion reports. • Knowledge about arrangements for the appointment of auditors and quality management undertaken.
Risk management	<ul style="list-style-type: none"> • Understanding of the principles of risk management, including how it supports good governance and decision making. • Knowledge of the risk management policy and strategy of the organisation. • Understanding of risk governance arrangements, including the role of members and of the audit committee. • Knowledge of the current risk maturity of the organisation and any key areas of improvement.

Counter fraud	<ul style="list-style-type: none"> • An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. • Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). • Knowledge of the organisation's arrangements for tackling fraud.
Values of good governance	<ul style="list-style-type: none"> • Knowledge of the Seven Principles of Public Life. • Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). • Knowledge of the whistleblowing arrangements in the authority.
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> • 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: <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 Skills	
Strategic thinking and understanding of materiality	<ul style="list-style-type: none"> • Able to focus on material issues and the overall position rather than being side tracked by detail.
Questioning and constructive challenge	<ul style="list-style-type: none"> • Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.
Focus on improvement	<ul style="list-style-type: none"> • Ensuring there is a clear plan of action and allocation of responsibility.
Able to balance practicality against theory	<ul style="list-style-type: none"> • Able to understand the practical implications of recommendations to understand how they might work in practice.
Clear communication skills and focus on the needs of users	<ul style="list-style-type: none"> • Support the use of plain English in communications, avoiding jargon, acronyms, etc.
Objectivity	<ul style="list-style-type: none"> • Evaluate information based on evidence presented, avoiding bias or subjectivity.
Meeting management skills	<ul style="list-style-type: none"> • Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.