

Corporate Committee 14 November 2019

Report title: Corporate Committee Knowledge and Skills Self-Assessment

Wards: All

Portfolio: Cabinet Member for Finance & Performance: Councillor Andrew Wilson

Report Authorised by: Fiona McDermott: Strategic Director for Finance and Investment

Contact for enquiries: Justin Martin, Head of Internal Audit, Finance & Investment, 07881 802336, Justin.f.martin@pwc.com

Report summary

In September 2018, the results of the Corporate Committee's self-assessment of effectiveness were presented to members, based on comparison against standards for audit committees as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication: 'A Toolkit for Local Authority Audit Committees' (2018 Edition). Having completed the effectiveness assessment, it was agreed that an assessment of potential skill gaps would be undertaken in comparison with the CIPFA Knowledge and Skills Framework, as defined in Appendix C of the guidance.

Since the September 2018 meeting, Members have completed self-assessments of their knowledge, skills and experiences against CIPFA's guidance. This report presents the collated results, from which a programme of training is proposed.

Finance summary

This report does not give rise to any additional capital or revenue financial implications. Actions to ensure compliance with relevant legislation and Council policies will be undertaken within the existing budgets.

Recommendations

1. To consider the results of the Corporate Committee's self-assessment of knowledge and skills, which identifies potential training needs.
2. To agree a programme of training for Corporate Committee members, focusing on five subject areas: risk management, internal audit, governance and legal, financial management and accountancy, and treasury management.

1. CONTEXT

1.1 In discharging its 'audit committee' role, the Corporate Committee is required to understand and challenge a wide range of reports covering many different aspects of the Council's services. The Chartered Institute of Public Finance & Accountancy has issued guidance to Committees to enable them to assess their effectiveness in discharging these responsibilities and, in September 2018, the Corporate Committee received a report summarising the outcome of its self-assessment against this guidance.

2. PROPOSAL AND REASONS

2.1 This report provides a summary of the knowledge and skills self-assessments conducted by members of the Corporate Committee since the meeting in September 2018. The self-assessments were completed against CIPFA's Knowledge and Skills Framework, as defined in Appendix C of the guidance: 'A Toolkit for Local Authority Audit Committees' (2018 Edition).

2.2 The assessment required scoring of knowledge or skills on a scale of 1 (poor) to 5 (excellent) as an aid to identifying where additional training would be beneficial. Three areas of skills or knowledge were explored, covering core areas of knowledge, specialist knowledge that adds value and core skills.

2.3 Self-assessments were completed in detail by four out of eight members. Results were collated and are summarised in the following table:

Knowledge Area	Knowledge Item	Average Score per knowledge item	Average Score per knowledge area
Core Areas of Knowledge	Organisational Knowledge	2.75	3.2
	Corporate Committee role and functions	3.75	
	Governance	3.25	
	Internal Audit	2.75	
	Financial management and accounting	2.25	
	External Audit	3.5	
	Risk Management	3.88	
	Counter Fraud	3	
	Values of Good Governance	3.63	
Treasury Management	2.25		
Specialist Knowledge that adds value	Accountancy	1	1.55
	Internal Audit	1	
	Risk Management	0.75	
	Governance and Legal	1.25	
	Service knowledge relevant to functions of organisation	2.38	
	Programme and project management	2	
	IT systems and IT governance	2.5	
Core Skills	Strategic Thinking and understanding of mentality	4.25	4.21
	Questioning and constructive challenge	4.25	
	Focus on Improvement	4.25	

Knowledge Area	Knowledge Item	Average Score per knowledge item	Average Score per knowledge area
	Able to balance practicality against theory	4	
	Clear communication skills and focus on needs of users	4.75	
	Objectivity	4.75	
	Meeting management skills	3.25	

2.4 Analysis of scores has led to the following conclusions:

2.4.1 Core skills required to perform audit committee duties scored highest of the three knowledge areas (with average score 4.21 out of 5). Specialist knowledge that adds value scored lowest out of the three areas, with average score 1.55 out of 5.

2.4.2 Specialist areas for which the Committee respondents appeared to have little specific expertise included the following:

- Risk Management;
- Internal Audit;
- Accountancy; and,
- Governance and Legal.

2.4.3 Areas of Core Knowledge for which skills were scored with lowest values included:

- Financial Management and accounting, and
- Treasury Management.

2.5 Given the results of the skills and knowledge self-assessment, including comments from respondents, it is proposed that members of the Corporate Committee would benefit from additional training in the following subject areas:

Subject area	Potential content
Risk management	Theory of risk management, the Council's risk management strategy, procedure and oversight, and embedding risk management throughout the organisation.
Internal audit	The internal audit approach from assurance mapping to service improvement. Key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. Delivery models, including co-sourcing with accountancy firms and independence of their services. Interactions with counter fraud, external audit and risk management services.
Financial management and accountancy	Good financial management principles, including budget setting, budget monitoring, financial reporting, department-specific services and preparation of financial statements. How the organisation meets the Transparency Code and the requirements of the role of the CFO, as required by the role of the Chief Financial Officer in Local Government (CIPFA, 2016).
Governance and Legal	Key responsibilities of the Council's governance and legal services with focus on specific areas of interest to the Committee, for example constitutional arrangements, data protection or contract law.

Subject area	Potential content
Treasury Management	Treasury management activities including cash flow management, investments and borrowing as well as specific areas of interest to the committee, for example: <ol style="list-style-type: none"> a. regulatory requirements b. treasury risks c. the organisation's treasury management strategy d. the organisation's policies and procedures in relation to treasury management.

3. FINANCE

- 3.1 This report does not give rise to any additional capital or revenue financial implications. Actions to deliver training will be undertaken within the existing budgets.

4. LEGAL AND DEMOCRACY

- 4.1 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b) ensures that the financial and operational management of the authority is effective; and,
 - c) includes effective arrangements for the management of risk.
- 4.2 Regulation 5 requires the Council to ensure that it undertakes an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.
- 4.3 Regulation 6 requires the Council to conduct an annual review of the effectiveness of the system of internal control required by Regulation 3; and to prepare an annual governance statement. The findings of the review of effectiveness must be considered as part of the consideration of the system of internal control referred to in paragraph 4.2 above. The Council has delegated the discharge of this function to Corporate Committee.
- 4.4 There were no further comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 Members of the Corporate Committee were consulted to undertake a self-assessment of their knowledge and skills. Their feedback has been summarised in this report.

6. RISK MANAGEMENT

- 6.1 An ineffective Corporate Committee due to lack of knowledge or skills could result in inadequate governance, risk and control arrangements remaining unchallenged, resulting in a failure to meet the Council's objectives, increased risks of fraud, waste or error and the potential for adverse criticism from the external auditor or other agencies.

7. EQUALITIES IMPACT ASSESSMENT

7.1 Not applicable.

8. COMMUNITY SAFETY

8.1 Not applicable.

9. ORGANISATIONAL IMPLICATIONS

9.1 Environmental

None.

9.2 Staffing and accommodation

None.

9.3 Procurement

None.

9.4 Health

None.

10. TIMETABLE FOR IMPLEMENTATION

Not applicable.

Audit trail				
Consultation				
Name/Position	Lambeth directorate/ division or partner	Date Sent	Date Received	Comments in para:
Councillor Andrew Wilson	Cabinet Member for Finance & Performance	24.10.19	31.10.2019	N/A
Fiona McDermott, Strategic Director	Finance & Investment	24.10.19	01.11.2019	N/A
Hamant Bharadia, Assistant Director	Finance & Investment	24.10.19	04.11.19	Recs
Alison McKane, Director of Legal and Governance	Legal & Governance	24.10.19	05.11.2019	N/A
David Rose, Democratic Services	Legal & Governance	24.10.19	24.10.19	N/A

Report history	
Original discussion with Cabinet Member	N/A
Report deadline	05.11.19
Date final report sent	06.11.19
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A
Background information	Audit Committee Review of Effectiveness, Corporate Committee meeting on 27 September 2018 Chartered Institute of Public Finance and Accountancy (CIPFA) publication: 'A Toolkit for Local Authority Audit Committees' (2018 Edition)
Appendices	N/A