

# **Audit and Governance - Committee Effectiveness and Performance, skills matrix**

**Meeting: Audit and governance committee**

**Meeting date: Wednesday 27 October 2021**

**Report by: Democratic services manager**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To consider and agree the audit and governance skills matrix and to seek the agreement of all A+G committee members to participate in the skills matrix audit.

## **Recommendation(s)**

**That:**

- a) **The committee comments on and agrees the Audit and Governance Skills Matrix as set out in Appendix A; and**
- b) **The committee agrees to participate in a committee skills matrix to assist them in their development and to assist the committee in identifying any new training requirements or additional specialist skills required to be co-opted to deal with specific subject matter over a specific time-period**

## Alternative options

1. To not undertake a skills matrix audit of the committee. This not recommended as it is widely recognised as good practice that audit committees should identify, and agree the skills required for committee effectiveness. This would also limit the ability of the committee to identify and address skills gaps which could looked to be filled through co-option.

## Key considerations

2. All, local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) developed by the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.
4. At Herefordshire Council, the audit and governance committee provide this function. It is comprised 7 non-executive councillors who provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes. The committee does this by
  - (a) ensuring the effective and fully compliant governance of the council and in particular to ensure that all aspects of the financial affairs of the council are properly and efficiently conducted;
  - (b) reviewing and approve the council's annual governance statement, annual statements of account, the contract procedure rules and financial procedure rules;
  - (c) scrutinise the effectiveness of, and management compliance with, the systems identified in the annual governance statement framework;
  - (d) monitoring the progress made by management in implementing improvements to elements of that framework identified by external or internal audit review; and.
  - (e) reviewing the constitution and recommending any necessary amendments to Council as appropriate.
  - (f) reviewing the corporate risk register
5. The HM Treasury Audit committee handbook advocates that audit committees should identify, and agree the skills required for committee effectiveness. The required skills set should be periodically reviewed so that the skills and knowledge of the members should be able to develop and focus on the key issues facing the organisation. Further, that Audit and Risk Committees should be empowered to both:
  - I. co-opt members for a period of time to provide specialist skills, knowledge and experience which the Committee needs at a particular time; and
  - II. procure specialist advice at the expense of the organisation on an ad-hoc basis to support them in relation to particular pieces of committee business
6. In June, 2020 an audit and governance working was set up to review the core functions of the Committee, the membership and effectiveness of the committee and to review the work

programme. However, one of the areas not formally addressed by the working group was in relation to assessing the committee's core knowledge and skills and evaluating and reporting on performance and whether the AGC is adding value to Herefordshire Council.

7. The working group produced an Audit & Governance Committee Self-Assessment on Performance & Effectiveness report which recommended that an effectiveness review including a review of committee member skills and training requirements is undertaken annually. And, that this should include undertaking skills analysis of committee members to determine training requirements and potential need for an independent person.
8. The skills analysis – in the form of a matrix - should address both core areas and specialist areas that may be beneficial to the effective operation of the committee. In line with the HM Treasury and CiPFA guidelines, audit committee members should be willing to review their knowledge and skills, for example, as part of a self-assessment process or training needs analysis.
9. A proposed skills matrix (as set out in Appendix A) should seek to build on some common elements that are endorsed by CiPFA. In summary it should seek to gather evidence on committee members':
  - I. **Core knowledge** – to focus on organisational knowledge, the functions of the committee (audit, risk and governance), external audit, fraud, treasury management and values of good governance
  - II. **Specialist knowledge** – accountancy, ICT systems and applications, risk, legal frameworks and programme/project management. And,
  - III. **Core skills** – strategic think, questioning skills, meeting management, objectivity and areas for raining and development.

## Community impact

10. The council's code of corporate governance commits the council to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By carrying out a review of audit and governance committee skills and knowledge, the committee can provide assurance that they are carrying out their functions in line with good practice. They can also identify any training and development needs and any specialists skills that may be required from any independent experts.
11. The Corporate Delivery Plan, 2020 to 2022 notes that 'increased involvement in the democratic process is important to us. To realise this, we shall complete the promised governance review for the council so as to increase the opportunity for the involvement of all elected representatives in decision-making.

## Environmental Impact

12. This report is based on gathering skills and knowledge of the audit and governance committee membership via a skills matrix. As such there are minimal environmental impacts.

## Equality duty

13. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows A public authority must, in the exercise of its functions, have due regard to the need to –
  - a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
14. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty

### **Resource implications**

15. There are no resource implications as result of this report as it is a review of the core skills and knowledge of committee membership.

### **Legal implications**

16. There are no legal implications as result of this report as it is a proposal to assess audit committee members core and specialist skills and knowledge which is in keeping with Chartered Institute of Public Finance and Accounting (CIPFA) published guidance.

### **Risk management**

17. There are no identified risks in seeking agreement to, and carrying out, an effectiveness and performance skills assessment. It is recommended practice that committee membership knowledge and experiences are routinely assessed to ensure that there is appropriate skillsets available to the committee in undertaking their work.

### **Consultees**

18. Consultation has been conducted with the re-thinking governance working group and through the audit and governance working group.

### **Appendices**

Appendix A - Audit & Governance Skills Matrix

### **Background papers**

None.