

Issue / Evidence / Suggested Improvement	Yes	No
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APPENDIX B

1...ESTABLISHMENT, OPERATION AND DUTIES		
1.1 ROLE AND REMIT		
1.1.1	Does the Audit Committee have written terms of reference?	✓
<p>Terms of Reference (ToR) can be found within:</p> <ul style="list-style-type: none"> • Constitution; • on Council website; and • Audit Committee Handbook <p>Regularly reviewed and is up to date with approval through Council as appropriate when Constitution amendments are made.</p> <p>Last update for Audit Committee was May 2019 to include references for whistleblowing (previously Constitution and Ethics Committee) and to consider reports in relation to the performance of Council companies alongside the Shareholder Cabinet Committee.</p>		
1.1.2	Do the terms of reference cover the core functions of an Audit Committee as identified in CIPFA guidance?	✓
<p>Template used for ToR based upon CIPFA best practice. Incorporates arrangements for</p> <ul style="list-style-type: none"> • Internal Audit; • External Audit; • Risk Management; • Governance; and • Fraud issues. <p>Since the last review (March 2018), following review of Constitution, member standards have been removed.</p>		
1.1.3	Are the terms of reference approved by the council and reviewed periodically?	✓
<p>Updates to Constitution are all channelled through Council as appropriate (see 1.1.1).</p> <p>Last full update for Audit Committee was May 2019.</p> <p>Main ToR remains as per best practice.</p>		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No																		
1.1.4	Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	✓																			
	<p>Changes to committee numbers agreed each year at Council when establishing make up of each Committee.</p> <p>11/7/2012 Council agreed for Audit Committee to be exempt from political balance requirements under s.15 LG and Housing Act 1989. Current membership (7).</p> <p>Membership following May 2019 Full Council is</p> <table border="1" data-bbox="279 622 1386 815"> <thead> <tr> <th>Party</th> <th>Conservative</th> <th>Labour</th> <th>Lib Dem</th> <th>Werrington First</th> <th>Green</th> </tr> </thead> <tbody> <tr> <td>Membership</td> <td>3</td> <td>3</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td>Reserve</td> <td>1</td> <td>1</td> <td>1</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>Committee members are all elected Councillors in line with the Constitution, there are no “independent persons” on the Committee.</p> <p>Training is provided to members on request basis and linked to the agenda items.</p> <p>To tie in with the first meeting each municipal year, this includes an overview of the workings of the Committee for all Members so as to provide initial support for new representatives together with details of the final accounts.</p> <p>Previous training has been provided to cover risk management, RIPA and the differences between internal audit and external audit.</p> <p>Best practice briefings are provided to Members as and when received from professional bodies.</p>	Party	Conservative	Labour	Lib Dem	Werrington First	Green	Membership	3	3	1	0	0	Reserve	1	1	1	0	0		
Party	Conservative	Labour	Lib Dem	Werrington First	Green																
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Reserve	1	1	1	0	0																
1.1.5	Can the Audit Committee access other committees and full council as necessary?	✓																			
1.1.6	Does the authority's Annual Governance Statement (AGS) include a description of the Audit Committee's establishment and activities?	✓																			
	<p>AGS between 2006 and 2019 produced by Chief Internal Auditor (CIA) and responsibility for it is with Acting Corporate Director of Resources in line with prescribed best practice.</p> <p>The draft is submitted as part of statement of accounts deadlines and independently checked by External Audit to confirm approach and its content.</p> <p>Reference is made within the document to the role of the Audit Committee.</p>																				

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
1.1.7	<p>Does the Audit Committee periodically assess its own effectiveness?</p> <p>Effective review completed by CIA.</p> <p>No separate independent review undertaken, however report to Audit Committee July 2019 provides opportunity for challenge by Members.</p> <p>A separate assessment against the CIPFA Knowledge and Skills Framework is also included.</p> <p>Membership numbers reviewed as part of overall allocation to committees, approved through Council each year.</p>	✓	
1.1.8	<p>Does the Audit Committee make a formal annual report on its work and performance during the year to full council?</p> <p>Annual report is produced each year by Democratic Services (based on a standard template) in March each year.</p> <p>Referral to Full Council following consideration / agreement at Audit Committee.</p>	✓	
1.2	MEMBERSHIP, INDUCTION AND TRAINING		
1.2.1	<p>Has the membership of the committee been formally agreed and a quorum set?</p> <p>Annual membership review each year (May).</p> <p>Full Council approval required (based on political proportionality)</p> <p>Quorum level set at 4.</p>	✓	
1.2.2	<p>Is the chair independent of the executive function?</p> <p>Chair is not on Cabinet, but member of the main party.</p> <p>On creation of the Audit Committee, decision taken that membership should be only elected Members, with no independent representation although this can be reviewed.</p>	✓	
1.2.3	<p>Has the Audit Committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?</p> <p>Training has been provided to all councillors when needed.</p> <p>This has included final accounts; risk management; role of members on the audit committee; governance arrangements; financial and contract rules; and standards.</p> <p>Chair of Audit Committee and CIA attended Local Authority Quality Forum (Practical Help for Audit Committees) in June 2019.</p> <p>All members are provided with access to the Audit Committee Handbook (awaiting publication on the Councils intranet) and best practice briefings are circulated when received.</p>	✓	
1.2.4	<p>Are new Audit Committee members provided with an appropriate induction?</p> <p>Initial training provided in June each year to capture role of Audit Committee together with an overview of the accounts as will be on the first formal agenda.</p> <p>Standardised work programme set out for the year and training offered around each of those areas to ensure focussed discussions.</p>	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
1.2.5	<p>Have all members' skills and experiences been assessed and training given for identified gaps?</p> <p>Training has been provided to members based around key aspects of the committee agendas, such as:</p> <ul style="list-style-type: none"> • Introduction to governance • Risk management • Final accounts and the governance statement • Treasury Management <p>Democratic Services assess all member training needs.</p>	✓	
1.2.6	<p>Has each member declared his or her business interests?</p> <p>Member interests are recorded on website in accordance with the schemes requirements.</p> <p>During 2018 / 2019 meetings, no declarations have been made before (or during) Audit Committees.</p>	✓	
1.2.7	<p>Are members sufficiently independent of the other key committees of the council?</p> <p>No members on Audit Committee are on Cabinet.</p> <p>Cabinet Member for Finance as a point of principle does attend Audit Committee in an observation capacity, although does contribute to items if required. (Does not have voting rights).</p> <p>All Members are on separate Committees</p>	✓	
1.3	MEETINGS		
1.3.1	<p>Does the Audit Committee meet regularly?</p> <p>Set timetable agreed each year / with prescribed timings for the key reports. For example.</p> <ul style="list-style-type: none"> • July (Final accounts / AGS / Audit Opinion) • September (strategic risks / annual audit letter) • November (audit progress) • February (grant claims / strategic risks / treasury) • March (IA / EA plans) <p>Other activities programmed throughout year cover, fraud, governance, use of RIPA and approvals of write offs exceeding £10,000.</p>	✓	
1.3.2	<p>Do the terms of reference set out the frequency of meetings?</p> <p>Work programme identified each year sets out the key activities and timelines for delivery – but this is not set out within the ToR.</p>	✓	
1.3.3	<p>Does the Committee calendar meet the authority's business needs, governance needs and the financial calendar?</p> <p>Work Programme produced complies with statutory dates for reporting.</p>	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
1.3.4	Are members attending meetings on a regular basis and if not, is appropriate action taken?	✓	
	Annual report sets out level of attendance and are documented on website against each committee agenda. Substitutes are available if needed to ensure quorate and offset apologies. There has been no matters arising from the need for necessary actions if members are not regularly present.		
1.3.5	Are meetings free / open without political influences being displayed?	✓	
	While the composition of the Committee reflects the political composition of the Council, decisions are not taken on political lines. In addition, the committee is exempt from political balance requirements (see 1.1.4)		
1.3.6	Does the s151 officer or deputy attend all meetings?	✓	
	Acting Corporate Director of Resources (s151) present at each meeting.		
1.3.7	Does the Audit Committee have the benefit of attendance of appropriate officers at its meetings?	✓	
	Committee is supported by a permanent clerk from Democratic Services. Acting Corporate Director of Resources and CIA are always in attendance. Other Officers attending are based on agenda items as well as representation from External Audit and Legal Services.		
2...INTERNAL CONTROL			
2.1	Does the Audit Committee consider the findings of the annual review of the effectiveness of the internal audit?	✓	
	Annual report produced each year for review as part of the consideration for the AGS.		
2.2	Does the Audit Committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	✓	
	Agenda items are structured so that it is considered before final accounts each year Members have been provided with commentary as to the background and compilation of data for the AGS.		
2.3	Does the Audit Committee consider how meaningful the AGS is?	✓	
	Advice on the reasoning behind the AGS and how to challenge and understand it are provided in the Audit Committee Handbook and with occasional training sessions. All committee reports provide full details / background information in order to make informed decisions in line with corporate templates. External Audit comments in relation to the AGS also referred to the Committee		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

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2.4	<p>Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?</p> <p>Reporting on adequacy of controls are within the Internal Audit progress reports to committee and the annual opinion.</p> <p>Previous review of effectiveness of Internal Audit also reported upon.</p> <p>Each report is discussed as appropriate, minuted and agreed.</p>	✓	
2.5	<p>Has the Audit Committee considered how it integrates with other committees that have responsibility for risk management?</p> <p>Committee are responsible for monitoring the effective development and operation of risk management in the Council.</p>	N/a	N/a
2.6	<p>Has the Audit Committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud - Actions to Counter Fraud and Corruption?"</p> <p>Part of Audit Committee remit and previously covered.</p> <p>Guidelines issued by CIPFA in October 2014.</p> <p>Policies are reviewed against these.</p> <p>Latest policies submitted to Audit Committee in March 2018 and continue to meet best practice</p>	✓	
2.7	<p>Does the Audit Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?</p> <p>There is an annual report produced in relation to investigations / compliance which covers the works of the Investigations team.</p>	✓	
2.8	<p>Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?</p> <p>Set out in the Audit Charter / Strategy as to how the Audit Plan has been developed.</p> <p>A revised approach has been formalised since 2018 and was included on the agenda in February each year to identify emerging issues.</p> <p>Training has been provided to Members on the role of Internal Audit and how it focusses its works around establishing appropriate mechanisms in place to reduce the risks.</p> <p>The full audit plans are provided annually in the March committee cycle.</p>	✓	
2.9	<p>Does the Audit Committee review the authority's strategic risk register at least annually?</p> <p>Risk register issued to Audit Committee as a high level document, usually every 6 months, subject to review being undertaken by CMT.</p> <p>Risk management being refreshed (as is all Boards) and meaningful dialogue in place with Members to ensure challenge / buy in.</p>	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

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2.10	Does the Audit Committee monitor how the authority assesses its risk?	✓	
	Risks are reported to committee and actions taken to mitigate are challenged. Suggestions are made for areas that should be included.		
2.11	Do the Audit Committee's terms of reference include oversight of the risk management process?	✓	
	Yes		
3...FINANCIAL REPORTING AND REGULATORY MATTERS			
3.1	Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?	✓	
	Defined within ToR in line with best practice		
3.2	Does the audit committee consider specifically:		
	The suitability of accounting policies and treatments	✓	
	Set out in final accounts updates / reports and overview given as part of training prior to agenda		
	Major judgements made	✓	
	Commentary is included in the final account statements and are reviewed by members and External Audit. No misstatements have been identified.		
	Large write offs	✓	
	Write offs over £10,000 are a standing item on the Audit Committee agenda. The last write off report was submitted to Audit Committee in February 2019.		
	Changes in accounting treatment	✓	
	Set out in final accounts updates / reports and overview given as part of training prior to agenda		
	The reasonableness of accounting estimates / narrative aspects of reporting	✓	
	Will be more prominent as quicker account closures introduced. External Audit works earlier in year to reduce the potential levels of estimates Accounting reports follow prescribed best practice and are reviewed by Members and External Audit		

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3.3	Is the Audit Committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	✓	
	Covered during the July cycle (subject to accounts been able to be closed)		
3.4	Does the Audit Committee review the management's letter of representation?	✓	
	See 3.3 above		
3.5	Does the Audit Committee annually review the accounting policies of the authority?	✓	
	See 3.2 above		
3.6	Does the Audit Committee gain an understanding of management's procedures for preparing the authority's annual accounts?	✓	
	Annual training is provided to Audit Committee members prior to review of the statement of accounts		
3.7	Does the Audit Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	✓	
	Training is provided on key aspects of the agenda. Information circulars received from CIPFA are incorporated into the Handbook.		
4...INTERNAL AUDIT			
4.1	Does the committee approve, annually the Internal Audit strategic and annual plans including consideration of whether the scope of Internal Audit work addresses the authority's significant risks?	✓	
	Annually, March committee cycle receives: <ul style="list-style-type: none"> • Internal Audit Strategy • Internal Audit Plan • Internal Audit Charter • Internal Audit Code of Ethics 		
4.2	Does Internal Audit have an appropriate reporting line to the Audit Committee?	✓	
	CIA has direct access and freedom to report to all officers / members and particularly to those charged with governance e.g. Chief Executive; Monitoring Officer; s151 Officer; Deputy s151. Meetings are held with Chair of Audit Committee (briefings) when required Monthly meetings are held with Cabinet Member for Finance		

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4.3	<p>Does the Audit Committee receive periodic reports from Internal Audit including an annual report from the Head of Internal Audit?</p> <p>Following agreement of audit plan, there is a half year progress report followed by an annual report and opinion Separate report produced on emerging issues to develop future works.</p>	✓	
4.4	<p>Are follow-up audits by Internal Audit monitored by the Audit Committee and does the committee consider the adequacy of implementation of recommendations?</p> <p>Recorded on progress reports of all audit activities undertaken.</p>	✓	
4.5	<p>Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?</p> <p>Constitution does not allow for private meetings to be held</p>		✓
4.6	<p>Is there appropriate cooperation between the internal / external auditors?</p> <p>Joint working arrangements where appropriate to ensure effective coverage and avoiding duplication. Progress meetings are held.</p>	✓	
4.7	<p>Does the Audit Committee review the adequacy of Internal Audit staffing and other resources?</p> <p>Resource levels are identified within the annual planning process to establish work plans.</p>	✓	
4.8	<p>Has the Audit Committee evaluated whether its Internal Audit service complies with Public Sector Internal Audit Standards?</p> <p>Internal Audit service was externally assessed in 2018 and their report submitted to Audit Committee in February 2019. The service was fully compliant.</p>	✓	
4.9	<p>Are Internal Audit performance measures monitored by committee?</p> <p>Reported as part of the annual audit opinion. However, these will look to be reviewed as part of accreditation process action plan</p>	✓	
4.10	<p>Has the Audit Committee considered the information it wishes to receive from Internal Audit?</p> <p>A standard work programme is in place based on known requirements to meet statutory needs for all aspects which are delivered through the committee.</p>	✓	

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	Issue / Evidence / Suggested Improvement	Yes	No
5...EXTERNAL AUDIT			
5.1	Do the external auditors present and discuss their audit plans and strategy with the Audit Committee (recognising the statutory duties of external audit)?	✓	
	Annual report at same time as Internal Audit		
5.2	Does the Audit Committee hold periodic private discussions with the external auditor?		✓
	See 4.5		
5.3	Does the Audit Committee review the external auditor's annual report to those charged with governance?	✓	
	Annual report on the work programme		
5.4	Does the Audit Committee ensure that officers are monitoring action taken to implement external audit recommendations?	✓	
	Regular progress reports are produced		
5.5	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	✓	
	Only external audit reports are referred to Audit Committee		
5.6	Does the Audit Committee assess the performance of external audit?	✓	
	All reports reviewed in line with the committee work programme. Consultation was in place for the appointment of new auditors through the PSAA contracts.		
5.7	Does the Audit Committee consider / approve the external audit fee?	✓	
	Considered by Cabinet and endorsed by Audit Committee		
6...ADMINISTRATION			
6.1	AGENDA MANAGEMENT		
6.1.1	Does the Audit Committee have a designated secretary from Committee / Member Services?	✓	
	Audit Committee is a formal committee with representation from Democratic Services		
6.1.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?	✓	
	Papers issued in accordance with council requirements		

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6.1.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	✓	
	Work programme established which maps business needs		
6.1.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	✓	
	Not a standard agenda item. However, Members are encouraged to provide information at the meeting which can be considered in future by Audit Committee (such as training), or referred to the appropriate committee.		
6.2	PAPERS		
6.2.1	Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	✓	
	Standard report format		
6.2.2	Does the Audit Committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented?	✓	
	Standard committee template utilised		
6.3	ACTIONS ARISING		
6.3.1	Are minutes prepared and circulated promptly to the appropriate people?	✓	
	Circulated following meeting and agreed at next		
6.3.2	Is a report on matters arising made and minuted at the Audit Committee's next meeting?	✓	
	Standard item on the agenda which highlights actions made and how they have been resolved		
6.3.3	Do action points indicate who is to perform what and by when?	✓	
	As 6.3.2		

Steve Crabtree
Chief Internal Auditor
June 2019

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