

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	<p>Does the Audit Committee have written terms of reference?</p> <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>The Terms of Reference is based on that set out within the CIPFA (Chartered Institute of Public Finance and Accountancy) guidance.</p> <p>The Terms of Reference are regularly reviewed and is up to date (as at May 2022) with approval through Full Council as appropriate when Constitution amendments are made. The document refers to the Statement of Internal Control and this should be amended to reflect that this has been replaced by the Annual Governance Statement.</p> <p><i>It is noted that there has been a request made for the Committee to review this during 2022 to ensure that it reflects future work arrangements within the committee as it develops following the appointment of 3 independent co-opted members.</i></p>	✓	
1.1.2	<p>Do the terms of reference cover the core functions of an Audit Committee as identified in CIPFA guidance?</p> <p>Template used for ToR is that which is set out as best practice within the CIPFA guidance. This full incorporates arrangements for:</p> <ul style="list-style-type: none"> • Internal Audit (plans, outputs, commissioning works and reporting of recommendations) • External Audit (plans, outputs, commissioning of works and their appointment) • Governance matters (such as risk management; Regulation of Investigatory Powers; whistleblowing; and anti-fraud measures) • Accounting (scrutiny of the statement of accounts and the associated policies; and the external auditors report into those accounts) <p>The ToR have been further developed to reflect the introduction of independent co-opted members from February 2022.</p>	✓	
1.1.3	<p>Are the terms of reference approved by the council and reviewed periodically?</p> <p>Updates to Constitution are all channelled through Council as appropriate (see 1.1.1).</p> <p>The last full update of the ToR for Audit Committee was in May 2022 which was agreed at Full Council.</p> <p>The main ToR remains as per best practice.</p> <p>The Committee are scheduled to review the ToR later within the year.</p>	✓	
1.1.4	<p>Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?</p>	✓	
	<p>Changes to committee numbers are agreed each year at Council when establishing make up of each Committee. At the start of 2021/22 this represented 7 Members.</p> <p>Following external reviews into the Councils governance arrangements it was recommended that the Committee should be enhanced with additional co-opted independent members. Following external</p>		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JUNE 2022

	Issue / Evidence / Suggested Improvement	Yes	No
	<p>advertising, this resulted in 3 co-opted independent members joining from the February 2022 meeting. Having independent members on the Audit Committee reflects good practice and pre-empts the Government's response to the Redmond Review in making this a requirement. One of the independent members is now chairing the committee and has received LGA Audit Chairing intensive training.</p> <p>Training is provided to all members, linked to the agenda items, and this is scheduled to increase throughout 2022 to reflect changes to agendas. To tie in with the first meeting each municipal year, this includes an overview of the workings of the Committee for all Members. This is to provide initial support for new representatives. This was provided in June 2021 and again in June 2022 by CIPFA.</p> <p>Additional coverage is provided at this time in relation to the closure of the accounts and how these should be scrutinised and challenged. Previous training has been provided to cover risk management, Regulation of Investigative Powers Act 2000 (RIPA) and the differences between internal audit and external audit.</p>		
1.1.5	<p>Can the Audit Committee access other committees and full council as necessary?</p> <p>Members are also on other Committees (except for those co-opted) in line with their political party proportionate allocation and all are expected to attend Full Council.</p> <p>An Annual report on Audit Committee activity is provided to Full Council for information. The latest version was submitted to Audit Committee in March 2022 and then will go on to Full Council in July 2022.</p> <p>Issues raised within Audit Committee which are deemed not to be within the remit of the committee are referred through to the appropriate scrutiny committee.</p> <p>With the creation of the Shareholder Cabinet Sub-Committee, there will be several reports / links required going forward.</p>	✓	
1.1.6	<p>Does the authority's Annual Governance Statement (AGS) include a description of the Audit Committee's establishment and activities?</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>	✓	
1.1.7	<p>Does the Audit Committee periodically assess its own effectiveness?</p> <p>This current effectiveness review has been completed by the CIA (based on the CIPFA checklist) and has been completed annually.</p> <p>External assessments took place as part of wider governance assurance reviews in autumn 2021 which led to the introduction of independent members onto the committee and an enhanced training offer.</p> <p>This committee report provides an opportunity for further challenge and assessment by the Committee.</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>An annual report is produced each year by Democratic Services (based on a standard template) in March.</p> <p>This is referred to Full Council following consideration / agreement at Audit Committee.</p>	✓	

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	Issue / Evidence / Suggested Improvement	Yes	No
1.2	MEMBERSHIP, INDUCTION AND TRAINING		
1.2.1	Has the membership of the committee been formally agreed, and a quorum set?	✓	
	Annual membership reviews each year (May). Full Council approval required (based on political proportionality) Quorum level set at 4 (based on current level of 7) which does not include those co-opted.		
1.2.2	Is the chair independent of the executive function?	✓	
	The Chair changed in year from an elected Councillor to an independent co-opted Member. The initial Chair was independent of Cabinet. The current Chair is an independent co-opted member.		
1.2.3	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?	✓	
	Training has been provided to all councillors on a rolling programme. This has included final accounts; risk management; role of members on the audit committee; governance arrangements; financial and contract rules; and standards. A new cycle of training commenced in June 2022. The new co-opted Chair has wide experience in the financial sector as well as of audit work and Audit Committees. He received intensive Audit Chair training from the LGA prior to commencing in post.		
1.2.4	Are new Audit Committee members provided with an appropriate induction?	✓	
	Standardised work programme set out for the year and training offered around each of those areas to ensure focussed discussions. Initial oversight of the workings of the committee have been provided in June each year following confirmation of Members.		
1.2.5	Have all members' skills and experiences been assessed, and training given for identified gaps?	✓ Part	
	A training needs/skills gap analysis was carried out by Democratic Services/CIPFA in January 2022 to help inform the training and support programme for members. Training in recent times has been provided to members based around key aspects of the committee agendas, such as: <ul style="list-style-type: none"> • Introduction to governance • Risk management • Final accounts and the governance statement • Treasury Management 		
1.2.6	Has each member declared his or her business interests?	✓	
	Member interests are recorded on individual registers of interest and published on the Council website in accordance with the scheme's requirements. During 2021 / 2022 meetings, no declarations have been made before (or during) Audit Committees.		

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	Issue / Evidence / Suggested Improvement	Yes	No
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 although a Cabinet Advisor is now a member of the Committee – having sought advice from the Monitoring Officer and considered the guidance it was considered that this was satisfactory as it was balanced by the presence of three independent co-opted members.</p> <p>The Cabinet Member for Finance (now Finance and Corporate Governance) has attended Audit Committee in an observation capacity, although they do contribute to items if required. (They do not have voting rights in line with the Constitution).</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"> • June (out turn on budgets) • July (Final accounts / AGS / Audit Opinion) • September (strategic risks / annual audit letter) • November (audit progress) • January / February (grant claims / strategic risks / treasury) • March (IA / EA plans) <p>Other activities programmed throughout year cover fraud, information governance, use of RIPA and approvals of write offs exceeding £10,000.</p> <p>Further changes are set out in future work programmes for the Committee which include deep dives into contracts and procurement.</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, it is determined and agreed at Full Council.</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 e.g., financial accounts</p>	✓	
1.3.4	<p>Are members attending meetings on a regular basis and if not, is appropriate action taken?</p> <p>The annual report produced by Democratic Services sets out level of attendance and are documented on website against each committee agenda.</p> <p>Substitutes are available if needed to ensure quorate and offset against apologies received.</p> <p>There have been no matters arising from the need for necessary actions if members are not regularly present.</p> <p>As part of the annual report, this will also capture attendance at training sessions.</p>	✓	
1.3.5	<p>Are meetings free / open without political influences being displayed?</p> <p>While the composition of the Committee reflects the political composition of the Council, decisions are not taken on political lines.</p>	✓	

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	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?	✓	
	The Director of Resources and S.151 Officer is 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: <ul style="list-style-type: none"> • A permanent clerk from Democratic Services; • Director of Resources and s151 Officer; • Chief Internal Auditor; • Director of Legal and Governance and Monitoring Officer Other Officers attending are based on agenda items as well as representation from External Audit and Legal Services.		

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	Issue / Evidence / Suggested Improvement	Yes	No
2...INTERNAL CONTROL			
2.1	Does the Audit Committee consider the findings of the annual review of the effectiveness of the internal audit?	✓	
	An annual report is 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 occasional training sessions. All committee reports provide full details / background information to make informed decisions in line with corporate templates. External Audit comments in relation to the AGS also referred to the Committee		
2.4	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	✓	
	Reporting on adequacy of controls is within the Internal Audit progress reports to committee and the annual opinion. Each report is discussed as appropriate, minuted and agreed.		
2.5	Has the Audit Committee considered how it integrates with other committees that have responsibility for risk management?	N/a	N/a
	Committee are responsible for monitoring the effective development and operation of risk management in the Council.		
2.6	Has the Audit Committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud - Actions to Counter Fraud and Corruption?"	✓	
	Part of Audit Committee remit and previously covered. Guidelines issued by CIPFA in October 2014. Policies are reviewed against these on an annual basis. Last submitted to Audit Committee in March 2022. They continue to meet best practice		
2.7	Does the Audit Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	✓	
	There is an annual report produced in relation to investigations / compliance which covers the works of the Investigations team. Separate reports are also issued in relation to the National Fraud Initiative.		
2.8	Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?	✓	

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	<p>Set out in the Audit Charter / Strategy as to how the Audit Plan has been developed. 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. 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>The risk register issued to Audit Committee as a high-level document, usually every 6 months, subject to review being undertaken by CLT (Corporate Leadership Team).</p> <p>Risk management processes and a meaningful dialogue is in place with Members to ensure challenge / buy in. Management of risk is currently within the remit of the Chief Internal Auditor and is declared within the Audit Plan. It is subject to review.</p>		
2.10	<p>Does the Audit Committee monitor how the authority assesses its risk?</p>	✓	
	<p>Risks are reported to committee and actions taken to mitigate are challenged.</p> <p>Suggestions are made for areas that should be included.</p>		
2.11	<p>Do the Audit Committee's terms of reference include oversight of the risk management process?</p>	✓	
	<p>Yes</p>		
3...FINANCIAL REPORTING AND REGULATORY MATTERS			
3.1	<p>Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?</p>	✓	
	<p>Defined within ToR in line with best practice</p>		
3.2	<p>Does the audit committee consider specifically:</p>		
	<p>The suitability of accounting policies and treatments</p>	✓	
	<p>Set out in final accounts updates / reports and overview given as part of training prior to agenda</p>		
	<p>Major judgements made</p>	✓	
	<p>Commentary is included in the final account statements and are reviewed by members and External Audit.</p> <p>No misstatements have been identified.</p>		
	<p>Large write offs</p>	✓	
	<p>Write offs over £10,000 are a standing item on the Audit Committee agenda.</p>		
	<p>Changes in accounting treatment</p>	✓	
	<p>Set out in final accounts updates / reports and overview given as part of training prior to agenda</p>		
	<p>The reasonableness of accounting estimates / narrative aspects of reporting</p>	✓	

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	Issue / Evidence / Suggested Improvement	Yes	No
	<p>Will be more prominent as quicker account closures introduced.</p> <p>External Audit works earlier in year to reduce the potential levels of estimates</p> <p>Accounting reports follow prescribed best practice and are reviewed by Members and External Audit</p>		
3.3	<p>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?</p>	✓	
	Covered during the July cycle (subject to accounts been able to be closed).		
3.4	<p>Does the Audit Committee review the management's letter of representation?</p>	✓	
	See 3.3 above		
3.5	<p>Does the Audit Committee annually review the accounting policies of the authority?</p>	✓	
	See 3.2 above		
3.6	<p>Does the Audit Committee gain an understanding of management's procedures for preparing the authority's annual accounts?</p>	✓	
	Annual training is provided to Audit Committee members prior to review of the statement of accounts		
3.7	<p>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?</p>	✓	
	Training is provided on key aspects of the agenda.		
4...INTERNAL AUDIT			
4.1	<p>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?</p>	✓	
	<p>Annually, March committee cycle receives:</p> <ul style="list-style-type: none"> • Internal Audit Strategy • Internal Audit Plan • Internal Audit Charter • Internal Audit Code of Ethics 		
4.2	<p>Does Internal Audit have an appropriate reporting line to the Audit Committee?</p>	✓	
	<p>Chief Internal Auditor 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.</p> <p>Separate briefings / meetings are held, when necessary, with Committee Members.</p>		
4.3	<p>Does the Audit Committee receive periodic reports from Internal Audit including an annual report from the Head of Internal Audit?</p>	✓	

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	Once the audit plan is agreed there is a progress report followed by an annual report and opinion A separate report produced on emerging issues to develop future works.		
4.4	Are follow-up audits by Internal Audit monitored by the Audit Committee and does the committee consider the adequacy of implementation of recommendations?	✓	
	Recorded on progress reports of all audit activities undertaken.		
4.5	Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?		✓
	Previous instructions did not allow for private meetings to be held and none have taken place since the Committee was created in 2006. It is now considered to be best practice and will be actioned as / when requested.		
4.6	Is there appropriate cooperation between the internal / external auditors?	✓	
	Joint working arrangements where appropriate to ensure effective coverage and avoiding duplication.		
4.7	Does the Audit Committee review the adequacy of Internal Audit staffing and other resources?	✓	
	Resource levels are identified within the annual planning process to establish work plans. Any increase in staffing levels would be subject to appropriate approvals through recruitment panels, resources being available etc.		
4.8	Has the Audit Committee evaluated whether its Internal Audit service complies with Public Sector Internal Audit Standards?	✓	
	Internal Audit service was externally assessed in 2018 and their reports submitted to Audit Committee in February 2019. The service was fully compliant. The next assessment will be due in 2023.		
4.9	Are Internal Audit performance measures monitored by committee?	✓	
	Reported as part of the annual audit opinion. However, these will look to be reviewed as part of accreditation process action plan		
4.10	Has the Audit Committee considered the information it wishes to receive from Internal Audit?	✓	
	A standard work programme is in place based on known requirements to meet statutory needs for all aspects which are delivered through the committee.		
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?		✓

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	Issue / Evidence / Suggested Improvement	Yes	No
	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 in place for the appointment of new auditors through the PSAA (Public Sector Audit Appointments) 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 In the week before the Committee meeting, a pre-meet is held to enable officers / members to discuss the reports. This allows officers to receive questions from Members which can then be researched (if necessary) to provide comprehensive answers at the actual committee.		
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.		

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	Issue / Evidence / Suggested Improvement	Yes	No
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 2022

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