

**Audit Committee – 29<sup>th</sup> June 2010**

**Report of the Treasurer**

**Annual Review of Internal Audit**

**Purpose of the Report**

1. This report deals with the annual review of the effectiveness of the system of internal audit [see [Appendix 1](#)] that will form part of the Annual Governance Statement for the financial year 2009/2010.

**Background**

2. As a result of the Accounts & Audit Regulations 2006, every local authority is now required to carry out a review of the effectiveness of the system of internal audit. This builds on the requirement in previous years for each local authority to carry out a review of the effectiveness of the system of internal control. This has now been superseded by CIPFA requiring each local authority to carry out a review of corporate governance arrangements.
3. The legislation is non-specific as to who should actually carry out the review but guidance from CIPFA does suggest that the review should include input from Senior Offices and Members. The review has been carried out by the Head of Audit Services and has been reviewed by the Corporate Governance Group who are also tasked with :-
  - a. Collating and reviewing reports from external inspection agencies in terms of impact on control and governance
  - b. Collating and reviewing information on any significant governance weaknesses, including details of remedial action
  - c. Reviewing the Code of Corporate Governance.
4. The review considers various aspects of the effectiveness of internal audit and, in conjunction with the Annual Planning Report, also considers the efficiency and economy of internal audit. The review has considered a number of documents and sources i.e :-

<b>Review Sources</b>	<b>Target</b>	<b>Achieved</b>
Compliance with the CIPFA Code of Practice for Internal Audit	100%	97%
Performance against plan and targets	100%	95%
Benchmarking of costs using CIPFA Benchmarking Club	Achieve median placing on costs i.e. around £53,287 average per auditor	£42,090 per auditor

<b>Review Sources</b>	<b>Target</b>	<b>Achieved</b>
Customer satisfaction survey	100% satisfactory or better	100%
Audit Commission review on Audit Services	High level of compliance with CIPFA Code of Practice as certified by Audit Commission	Achieved
Audit Commission reliance on Audit Services	Yes	Yes
Audit Committee operations in line with CIPFA guidelines	Yes	Yes

The review also considers other matters, including :-

- a. Quality Control
- b. Audit Partnerships
- c. Audit Services Annual Planning Reports 2009/10 and 2010/11
- d. Audit Committee Annual Reports on Directorates

5. In my opinion, the Review set out at [Appendix 1](#) presents a reasonable and balanced view about the effectiveness of the Council's Internal Audit function.

### **Finance**

6. This report has no direct financial effect.

### **Law**

7. The Account and Audit Regulations 2006 require that the relevant body shall conduct a review at least once a year of the effectiveness of its system of internal audit and the findings of the review shall be considered by a committee of the relevant body.

### **Equality Impact**

8. This report does not raise any equal opportunities issues.
9. Whilst children and young people are not directly consulted on, or involved with the development of the review, it will help ensure their interests are protected.

## **Recommendations**

10. The review of the effectiveness of the system of internal audit included at [Appendix 1](#) to this report is considered and accepted.



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**Iain Newman**  
**Treasurer**

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## **REPORT ON THE REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

### **INTRODUCTION**

1. The Accounts & Audit Regulations 2006 introduced a requirement for the Council to carry out a review of the effectiveness of the system of internal audit once a year and for the findings of the review to be considered by the Audit Committee or Council as part of the consideration of the governance arrangements.
2. This report identifies background information and the results of a self assessment carried out by the Head of Audit Services, which has been reviewed by the Corporate Governance Group and the Treasurer.

### **BACKGROUND**

3. CIPFA's Finance Advisory Network has noted that limited guidance has been issued on the methodology for the review but offers some ideas :-
  - a. The system of internal audit is deemed to be the total internal audit provision be it an in house or outsourced service or a mix of the two.
  - b. The review of the effectiveness of the system of internal audit should include a review of the effectiveness of the Audit Committee.
  - c. The Audit Committee should receive and consider the results of the review of the effectiveness of the system of internal audit.
  - d. The review will not be carried out by external audit as part of its annual work.
  - e. As with the Annual Governance Statement the review will usually be carried out by a group of officers and/or members. Whilst there will usually be input from the Head of Audit Services they cannot be allowed to influence the direction or extent of the review. The Head of Audit Services could carry out a self assessment which would then be suitably reviewed.
  - f. The effectiveness of internal audit should not solely be judged by the extent of compliance with the Code of Practice for Internal Audit. The review is primarily about effectiveness not process or value for money. The focus of the review should be on the delivery of the internal audit service to the required standard set by the Authority and that it adds value to the Authority.
  - g. The review should also consider the level of reliance placed on internal audit by the external auditor.
  - h. Does the service add value to the organisation

### **FINDINGS**

#### **CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT**

4. CIPFA published a revised Code of Practice for Internal Audit in December 2006 and the Code included for the first time self assessment checklists covering both audit standards and the characteristics of effectiveness. Details are set out at Appendices A and B. Our self assessment on all aspects of compliance with the Code of Practice suggests 97% compliance, a slight improvement over 2009.

## **AUDIT PERFORMANCE**

5. The Annual Report covers this topic in detail and reports that we achieved 95% of plan which, represents a good level of performance.
6. We hardened targets in 2009/10 to reduce the time taken from the start of audit work to the issue of draft audit report from a maximum of eight weeks to seven weeks. We achieved this target in 96% of the audits we carried out against 46% in 2008/09.
7. We operate Audit Process protocols with all Directors which set out our targets and also asked them to co-operate in finalising draft audit reports within six weeks of the report being issued. We achieved this in 58% of reports in 2009/10, which is largely down to management taking longer than they should in responding. We have recently started to advise Directors of the reasons for delays and will be pushing management to respond more quickly.
8. We have also developed our input to value for money studies and this resulted in us identifying just over £500,000 in cashable and non cashable efficiency savings. In line with the Audit Plan approved by Audit Committee we are increasing resources in this area to strengthen and expand the range of work we carry out to seek further efficiencies and savings. The net effect of income generating work and value for money studies means Audit is generating savings in excess of the cost of the service.

## **BENCHMARKING**

9. We are members of the CIPFA Benchmarking Club for Internal Audit and supply details to enable comparison of costs with other Authorities. The results of the 2009 exercise produced the following estimates for the financial year 2010/11 :-

	<u>Dudley</u>	<u>Similar</u> <u>Boroughs</u>	<u>Rest of</u> <u>Black Country</u>
	[£]	[£]	[£]
Cost per auditor	41,733	48,177	50,370
Cost per £1m turnover	813	939	1,005
Cost per audit day	227	283	308

We are pleased to note that our costs are the lowest in the Black Country.

## **CUSTOMER FOCUS**

10. In 2009 in conjunction with the Directorate, we achieved re-accreditation of the Charter Mark standard for excellent customer service.
11. Our main system for identifying customer views is in a Post Audit Questionnaire which goes out after the final audit report is issued. The Annual Planning Report covers the results in depth and concludes that satisfaction levels are good.
12. We also carried out a survey of Assistant Directors to assess how they felt about the service and the results were largely positive [see [Appendix D](#)].

13. We continue to organise meetings of the Nominated Officer Group which includes representatives from all Directorates and is tasked with :-
- a. Discussion forum to consider best practices within the Directorates, concerning Audit Reports, implementation of Audit Recommendations & monitoring of Management Action Plans.
  - b. Act as client consultation group to consider ways in which the Audit Service can be developed.
  - c. Forum to consider how the control environments can be improved within the Directorates.

The meetings are well attended and Directorates are developing increasingly sophisticated tools to ensure Audit Reports are actioned in line with timescales given.

14. Some Directorates also have Audit Groups which offer support on audit matters and we also attend these e.g. DACHS Group.

#### **AUDIT COMMISSION**

15. The Audit Commission confirmed that they continue to rely on us for audits on the major financial systems.
16. The Audit Commission are required to carry out an annual "Use of Resources" assessment as part of the Comprehensive Area Assessment process. This covers a wide range of finance related activities, including the internal control environment and risk management. The last review resulted in an overall rating of 3 (out of a maximum of 4), with arrangements for internal control, governance, risk management and fraud assessed as 3 [good].

#### **AUDIT COMMITTEE**

17. The roles and responsibilities of the Audit Committee are a key part of the system of internal audit. Dudley has an established Audit Committee and its Terms of Reference are in line with guidance issued by CIPFA.
18. CIPFA guidance on this review of the effectiveness of the system of internal audit suggested that the effectiveness of the Audit Committee should also be assessed. In October 2007, the Audit Committee completed a self assessment checklist issued by CIPFA's Better Governance Forum. I have updated the checklist [see Appendix D] to reflect my opinion of the current level of compliance. In my view the assessment demonstrates the operation of the Audit Committee is effective.
19. In September 2009 a benchmarking exercise was carried out to compare the activities of the Audit Committee with others in the West Midlands Region. A report was presented to Audit Committee who reviewed the results and concluded that no significant changes were needed to the operation of the Committee. It was agreed that Audit Services would introduce interim performance reports to the February and September meetings to provide more frequent reports on progress.

## **QUALITY CONTROL**

20. Each piece of audit work is governed by the standards set out in the Code of Practice for Internal Audit and our own Audit Manual. All audits are subject to ongoing supervisory input before and during the audit. Once the audit work has been completed the file is subject to review by Audit Managers who ensure that the work is to acceptable standards.
21. In line with the Code of Practice for Internal Audit the Head of Audit Services carries out a series of file overviews to ensure that standards have been achieved in the work, reviews and reports of all staff. These reviews assist in ensuring that the two teams operate to the same working practices.
22. We also operate a Methods Group to ensure all audit working practices are current and consistent across the Division.

## **PARTNERSHIPS**

23. Audit Services operates in partnership with Deloitte's and another company for the provision of more detailed computer audits. The previously agreed protocol to formalise the working and reporting arrangements that operate between Deloitte's, Audit Services and customers has been well received and is working well in practice.
24. The Strategic ICT Audit Plan covers the period 2007/11 and all audits scheduled for 2009/10 were completed.

## **REPORTING**

25. In line with CIPFA best practice, reports covering a range of issues are presented by Audit Services to the Audit Committee:-
  - a. Planning Report
  - b. Performance Plan
  - c. Results of work on each Directorate
  - d. Interim Performance
  - e. Fraud

## **CONCLUSION**

26. I believe that the findings identified in this report and in the Annual Planning report demonstrate that Audit Services is delivering an economic, efficient and effective service. This enables me to provide a reliable level of assurance on the governance framework.

Les Bradshaw  
Head of Internal Audit

## Appendix A

### CIPFA Code of Practice – Standards – 2010 Assessment

2006 Code Standard	Suggested Evidence of Achievement	Notes
<b>1. Scope of internal audit</b> a. Terms of reference b. Scope c. Responsibilities in respect of other organizations d. Fraud and corruption	Terms of reference reflecting current Code of Practice were approved by authority	Y
	Scope of audit work takes into account risk management processes and wider internal control.	Y
	Resource levels reviewed and commented on in report to Audit Committee	Y
	The terms of reference identify responsibilities in respect of other organisations, including all key partnerships and LAAs.	Partial, in generic terms this is covered
	Terms of reference define audit responsibilities in relation to fraud.	Y
<b>2. Independence</b> a. Organisational b. Independence c. Status of head of internal audit d. Independence of individual internal auditors e. Independence of internal audit contractors f. Declaration of interest	Chief Internal Auditor has direct access to those charged with governance through the Audit Committee – see Fin Regs.	Y
	Reports are made in own name to management and to Audit Committee.	Y
	No conflict of interest between operational responsibilities and audit has been found.	Y
	Rotation of audit work within the team is the norm. Contractor IT auditor firm does not have any other role within the authority.	Y  Occasional consultancy via another team at Deloitte but this is managed

	<b>Auditors are required to declare interests and have been vetted.</b>	<b>Y</b>
<b>3. Ethics:</b> a. Integrity b. Objectivity c. Competence d. Confidentiality	<b>Staff appraisal system considers these issues; no significant points have been identified.</b>	<b>Y</b>
	<b>Staff have been made aware of ethics requirements.</b>	<b>Y</b>
	<b>Guidance has been circulated.</b>	<b>Y</b>
<b>4. Audit Committee</b> a. Purpose of the Audit Committee b. Internal audit's relationship with the Audit Committee	<b>Terms of reference have been formally approved and are regularly reviewed.</b>	<b>Y</b>
	<b>They include responsibility for the review of the AGS or governance assurance statement.</b>	<b>Y</b>
	<b>Audit Committee approves and monitors audit strategy and plan.</b>	<b>Y</b>
	<b>Head of Internal Audit attends the meetings, reports on the outcome of internal audit work, identifies necessary changes to the audit plan, and presents an annual report and opinion or assurance on the internal control and risk management framework. See Audit Committee papers.</b>	<b>Y</b>
<b>5. Relationships with</b> a. Management b. Other internal auditors c. External auditors d. Other regulators and inspector e. Elected Members	<b>Managers are consulted on the audit plan and on the scope of each audit.</b>	<b>Y</b>
	<b>Responsibilities for managers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.</b>	<b>Y</b>
	<b>Good working relations</b>	<b>Y</b>

	<p><b>established with external audit, including consultation on plan and opportunities for joint working.</b></p> <p><b>Sharing of information is undertaken with other internal review agencies.</b></p> <p><b>There is liaison with external regulators and inspectors.</b></p> <p><b>The responsibilities of internal audit staff and Members, particularly those of the Audit Committee are understood; training of members is carried out as necessary.</b></p>	<p><b>Y – Where appropriate</b></p> <p><b>As necessary</b></p> <p><b>Y</b></p>
<b>6. Staffing, training and development</b>	<p><b>The skills and competencies required of each post have been determined.</b></p> <p><b>Actual skills and competencies have been assessed and a gap analysis completed.</b></p> <p><b>Individual training and development plans have been agreed through the appraisal process and are being delivered.</b></p> <p><b>Professional staff are required to complete CPD.</b></p> <p><b>Training plan is linked to business plan.</b></p>	<p><b>Y</b></p> <p><b>Y</b></p> <p><b>Y</b></p> <p><b>Y</b></p> <p><b>Y</b></p>
<b>7. Audit Strategy and Planning</b>	<p><b>The Audit Strategy complies with the Code of Practice and has been formally approved by the Audit Committee</b></p> <p><b>It is reviewed each year.</b></p> <p><b>The risk-based Audit Plan has been prepared in accordance with the strategy. The corporate risk register has been used as the basis of the</b></p>	<p><b>Y</b></p> <p><b>Y</b></p> <p><b>Y</b></p>

	<p>plan to the extent deemed appropriate according to the extent to which risk management has been implemented in the authority. This has been assessed by the Head of Audit, who has also carried out his own risk assessment.</p> <p>Available resources have been compared with the resource need and a report submitted to the Audit Committee setting out proposals on dealing with the shortfall.</p> <p>The plan has been approved by the Audit Committee</p>	<p>No shortfall identified but logically we would take a report.</p> <p>Y</p>
<p><b>8. Undertaking Audit Work</b></p> <p>a. Planning</p> <p>b. Approach</p> <p>c. Recording and assignments</p>	<p>An audit brief is prepared and agreed with management for each audit.</p> <p>A risk-based approach is used and an audit opinion is given.</p> <p>Issues are discussed with management as they arise.</p> <p>Standards of working papers are specified and checked as part of the file review.</p> <p>Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained in accordance with defined policy.</p> <p>Reports are issued to appropriate managers in accordance with defined policy.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
<p><b>9. Due professional care</b></p> <p>a. Responsibilities of the individual auditor</p> <p>b. Responsibilities of the</p>	<p>All internal auditors are aware of their individual responsibilities for due professional care.</p>	<p>Y</p>

<b>Head of Audit</b>	<b>Head of Audit reviews all audit files and reports.</b>	<b>P – More files now overviewed by HOAS</b>
	<b>Appraisal and training is in place</b>	<b>Y</b>
	<b>A whistle-blowing procedure is maintained</b>	<b>Y</b>
	<b>Work is assigned so as to avoid potential conflicts of interest.</b>	<b>Y</b>
<b>10. Reporting</b> <b>a. Reporting on audit work</b> <b>b. Annual reporting</b>	<b>Audit reports give an opinion on risks and controls, using approved methodology</b>	<b>Y</b>
	<b>Scope of audit is set out in Report</b>	<b>Y</b>
	<b>Recommendations are prioritised according to risk</b>	<b>Y</b>
	<b>Draft reports are discussed with m'ment and action plans agreed in response to recommendations made</b>	<b>Y</b>
	<b>Reports are issued to appropriate managers</b>	<b>Y</b>
	<b>Where necessary, issues are referred to risk manager</b>	<b>Y</b>
	<b>Assurances are sought from managers on delivery of agreed actions</b>	<b>Y</b>
	<b>An escalation procedure has been defined and is used as appropriate</b>	<b>Y</b>
	<b>Where necessary, the opinion is revised in the light of the delivery of agreed actions.</b>	<b>Y</b>
	<b>An annual report to support the Annual Governance Statement is presented to the Audit</b>	<b>Y</b>

	<p><b>Committee</b></p> <p>The report includes the opinion on the control environment and any qualifications to that opinion</p> <p>The work on which the opinion is based is set out in the report.</p> <p>The report highlights significant issues.</p> <p>Interim reports are submitted to the Audit Committee advising of how the opinion is developing</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
<p><b>11. Performance, quality and effectiveness</b></p> <p>a. Principles of performance, quality and effectiveness</p> <p>b. Quality assurance of audit work</p> <p>c. Performance and effectiveness of the internal audit service</p>	<p>Policies and procedures are defined in an audit manual</p> <p>Audits are assigned according to the skills mix required and so that there is adequate supervision</p> <p>Performance measures are defined and results reported to Audit Committee in the annual report.</p> <p>Internal quality reviews are undertaken by the Head of Internal Audit for all audit work</p> <p>Client satisfaction surveys are issued with each final report and are summarized in annual report .</p> <p>An annual assessment of the work of internal audit is undertaken by the external auditor.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>P – Audit Managers have responsibility for their Teams reviews, but HOAS now doing a lot more overviews Y</p> <p>Y – Managed Audits</p>

## **Appendix B**

### **CIPFA Code of Practice - Characteristics of Effectiveness – 2010 Assessment**

<b>Characteristic of 'effectiveness'</b>	<b>Evidence of Achievement</b>	<b>Notes</b>
<b>Understand its position in respect to the organisation's other sources of assurance and plan its work accordingly.</b>	<b>Internal audit identifies other sources of assurance and takes this into account when preparing the internal audit plan.</b>	<b>Y</b>
<b>Understand the whole organisation, its needs and objectives.</b>	<b>The audit plan demonstrates how audit work will provide assurance in relation to the authority's objectives.</b>  <b>Individual audit assignments identify risks to the achievement of those objectives.</b>	<b>Y</b>  <b>Y</b>
<b>Be seen as a catalyst for change at the heart of the organisation.</b>	<b>Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics.</b>  <b>Individual assignments may be catalyst for change.</b>	<b>Y</b>  <b>Y</b>
<b>Add value and assist the organisation in achieving its objectives.</b>	<b>Demonstrated through individual audit assignments and also corporate work.</b>	<b>Y</b>
<b>Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.</b>	<b>Internal audit provides help and advice on request and supports specific projects identified in plan and on <i>ad hoc</i> basis.</b>	<b>Y</b>
<b>Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.</b>	<b>When identifying risks and in formulating the plan changes on the national agenda are considered.</b>  <b>The audit section maintains awareness of</b>	<b>Y</b>

	<b>new developments in the services it audits, risk management and corporate governance and disseminates this knowledge to other parts of the local authority.</b>	<b>Y</b>
<b>Be innovative and challenging shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy.</b>	<b>Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and encouraging managers to develop their own responses to the risks, rather than audit recommendations. The aim of this is to encourage greater ownership of the control environment amongst managers.</b>	<b>N – Save that we will always allow Management the opportunity to come up with alternative recommendations</b>
<b>Ensure the right resources are available – the skills mix, capacity, specialism and qualifications / experience requirements all change constantly.</b>	<b>This is addressed by Annual Plan to the Audit Committee.</b>  <b>Arrangements are in place to obtain specialist input on IT audit.</b>	<b>Y</b>  <b>Y</b>

## **Appendix C**

### **CIPFA “A Toolkit for Local Authority Audit Committees”**

#### **Section 2 – Self Assessment Checklist**

ESTABLISHMENT, OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/A	Comment/Action
1	Does the audit committee have written terms of reference?	Y			
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Y			
1	Are the terms of reference approved by the council and reviewed periodically?	Y			Constitution approved by Council and Terms of Reference amended as appropriate
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			
1	Can the audit committee access other committees and full council as necessary?	Y			
1	Does the authority's AGS include a description of the audit committee's establishment and activities?	Y			
2	Does the audit committee periodically assess its own effectiveness?	Y			Assisted by benchmarking report in 2009
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?		N		

Membership, Induction and Training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	Y			
1	Is the chair independent of the executive function?	Y			
1	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?	Y			
1	Are new audit committee members provided with an appropriate induction?	Y			There is no formal induction. New Members have a briefing with Head of Audit.
1	Have all members' skills and experiences been assessed and training given for identified gaps?		N		
1	Has each member declared his or her business interests?	Y			
2	Are members sufficiently independent of the other key committees of the council?	Y			
Meetings					
1	Does the audit committee meet regularly?	Y			
1	Do the terms of reference set out the frequency of meetings?		N		Not sure this is necessary.
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	Y			
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	Y			
1	Are meetings free and open without political influences being displayed?	Y			

1	Does the authority's S151 officer or deputy attend all meetings?	Y			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y			
Internal Control					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			
1	Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y			
1	Does the audit committee consider how meaningful the AGS is?	Y			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	Y			By virtue of approving the Risk Management Strategy and Cabinet reviewing significant risks
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Y			In April 2010 Audit Committee received bench marking information against CIPFA guidelines

1	Does the audit committee ensure that the “Actions to Counter Fraud and Corruption” are being Implemented ?	Y			Audit Committee receive Annual Fraud Report and approve the Counter Fraud Strategy
2	Is audit committee made aware of the role of risk management in the internal audit plan?	Y			
2	Does the audit committee review the authority’s strategic risk register at least annually?		N		This is covered by Cabinet
2	Does the audit committee monitor how the authority assesses its risk?	Y			Approval of the Risk Management Strategy
2	Do the audit committee’s terms of reference include oversight of the risk management process?	Y			
Financial Reporting and Regulatory Matters					
1	Is the audit committee’s role in the consideration and/or approval of the annual accounts clearly defined?	Y			
1	Does the audit committee consider specifically: a.The suitability of accounting policies and treatments b.Major judgments made c.Large write-offs d.Changes in accounting treatment e.The reasonableness of accounting estimates f.The narrative aspects of reporting?	Y			Majority of these covered in reports of the Interim Director of Finance
1	Is an 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?	Y			

1	Does the audit committee review management's letter of representation?	Y			
2	Does the audit committee annually review the accounting policies of the authority?		N		
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?		N		
2	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?	Y			Training and reports supplied as needed

#### Internal Audit

1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			
1	Does internal audit have an appropriate reporting line to the audit committee?	Y			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y			

1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?		N		
1	Is there appropriate cooperation between the internal and external auditors?	Y			
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	Y			
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	Y			
2	Are internal audit performance measures monitored by the audit Committee?	Y			
2	Has the audit committee considered the information it wishes to receive from internal audit?	Y			Bench marked against Regional practice and considered by Audit Committee
External Audit					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee	Y			
1	Does the audit committee hold periodic private discussions with the external auditor?		N		
1	Does the audit committee review the external auditor's annual report to those charged with governance?	Y			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?		N		

1	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?	Y			In respect of audit Commission. Other Committee's deal with reports from OFSTED, Care Quality Commission, etc.
1	Does the audit committee assess the performance of external audit?	Y			Opinion based on reports from Interim Director of Finance
1	Does the audit committee consider and approve the external audit fee?	Y			
Agenda Management					
1	Does the audit committee have a designated secretary from Committee / Member Services?	Y			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y			
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?		N		
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			
2	Does the audit committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?			N/A	Council Policy

Actions Arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	Y			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	Y			
1	Do action points indicate who is to perform what and by when?	Y			

Priority Rating set by CIPFA Better Governance Forum

## **Appendix D**

### **AUDIT SERVICES – ADDED VALUE RESULTS 2009**

<b>PROPOSITION</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<ul style="list-style-type: none"><li>• By its actions and recommendation, demonstrates that it understands and appreciates the objectives and targets of the Council/Directorate.</li></ul>	9%	91%		
<ul style="list-style-type: none"><li>• Makes a positive contribution to change and continuous improvement.</li></ul>	27%	64%	9%	
<ul style="list-style-type: none"><li>• Has highlighted areas of good practice elsewhere which has led to improvements in the Directorate.</li></ul>	18%	73%	9%	
<ul style="list-style-type: none"><li>• Is forward looking.</li></ul>	9%	64%	18%	
<ul style="list-style-type: none"><li>• Operates generally to very high professional and ethical standards.</li></ul>	73%	27%		
<ul style="list-style-type: none"><li>• Makes recommendations which are appropriately balanced and lead to improvement.</li></ul>	25%	58%	17%	
<ul style="list-style-type: none"><li>• Assists in shaping the values and standards of the Council.</li></ul>	9%	82%	9%	
<ul style="list-style-type: none"><li>• Provides a service which improves the control environment.</li></ul>	45%	45%	9%	
<ul style="list-style-type: none"><li>• Provides advice and guidance which is helpful.</li></ul>	30%	70%		
<ul style="list-style-type: none"><li>• Assists in helping the organisation in achieving its objective.</li></ul>	25%	58%	17%	