

## Audit & Governance Committee Paper

How this paper relates to our strategy	Setting standards <input type="checkbox"/>	Increasing and informing choice <input type="checkbox"/>	Demonstrating efficiency, economy and value <input checked="" type="checkbox"/>
<b>Paper Title</b>	Annual Review of AGC Activities and Effectiveness		
<b>Agenda Item</b>	13		
<b>Paper Number</b>	[AGC (01/10/2014) 430]		
<b>Meeting Date</b>	1 October 2014		
<b>Author</b>	Sam Hartley, Head of Governance and Licensing		
<b>For information or decision?</b>	Information and Decision		
<b>Recommendation</b>	Committee members are invited to consider and comment on the Committee's effectiveness, using the supplied NAO checklist as a basis for discussions		
<b>Resource Implications</b>	Dependent on scope of any improvements suggested		
<b>Implementation</b>	Suggested changes will be fed into the annual review of Authority effectiveness, delegation and Standing Orders		
<b>Communication</b>	Results will be put direct to Authority, along with those for all committees		
<b>Organisational Risk</b>	Low		
<b>Evaluation</b>	This is part of a continuing review of effectiveness by AGC that culminates in this more formal annual report		
<b>Annex</b>	A: NAO checklist for Audit Committees		

## Introduction

1. It is now an established process for the HFEA's committees to conduct a review of their effectiveness annually. Such reviews are conducted in the autumn, with the results feeding in to the Authority, along with any changes to Standing Orders, in the following spring. While other HFEA committees have standard internal proformas as a guide to their annual review, the Audit and Governance Committee uses the NAO's Audit Committee checklist (at annex A) as a guide for its review.
2. This paper provides some prompts on the matters committee members may wish to reflect upon regarding the activities and performance of the committee in the past year.

## Meetings, Attendance & Executive support

3. Since the last annual review in September 2013, the Committee has met three times (the October 2014 meeting will be the fourth), as planned. The Committee has been quorate at all meetings, and had a full complement of four members at two meetings. In addition, observers or representatives from DH have been present. Both internal and external auditors were represented at all meetings.
4. The Committee may wish to reflect on the particular challenges faced this year in relation to the change in Chair, members and indeed Executive support. With the previous AGC Chair becoming Chair of the Authority and the AGC Deputy Chair assuming the mantle of Chair, and new Authority member was appointed to AGC to ensure adherence to the Standing Orders. Similarly, the year has seen the implementation of the shared-Director model, the bedding in of the new finance team, and the cementing of the new committee secretariat/support model. Committee members may wish to reflect on lessons from these changes.

## Delegated functions and agenda items

5. The Committee adhered to its delegated powers of approving the internal audit programme and Annual Governance Statement. The Committee further oversaw the completion of the annual accounts and reports, although lessons were learned from this year's process that the Committee may wish to reflect on in its annual review.
6. While the meeting agendas have been streamlined, the 'themed' approach has been retained, with Directors or Heads reporting at intervals on their operational specialisms. The Committee received regular reports and updates on the progress of the Information for Quality (IfQ) Programme, and the management of the risks within that programme.

## Recommendations

7. The NAO checklist is seen as a guide for all public sector organisations, from the largest to the smallest, and therefore and must be applied in a proportionate way. It is not intended as having to be fully completed by every committee regardless of the organisations size; rather, it acts as a prompt for committees to follow in conducting their reviews.
8. Members are invited to consider the NAO checklist in advance of the 1 October meeting, and feed back views at that meeting. The Head of Governance and Licensing will capture views during the meeting, before circulating a final report for agreement remotely after the meeting, in advance of the Committee's December meeting.

**Annex A: NAO’s Audit Committee self-assessment checklist**

**GOOD PRACTICE**

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# **The Audit Committee self-assessment checklist**

**2nd edition January 2012**

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**Financial Management and Reporting**

**Our vision is to help the nation spend wisely.**

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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 860 staff. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of more than £1 billion in 2011.

# Contents

**Introduction 4**

**Section I**

Good practice principles for Audit Committees **6**

**Section II**

The role of the Chair: good practice **21**

**Section III**

Committee support: good practice **24**

# Introduction

1 This Checklist<sup>1</sup> has been designed to help Audit Committees in central government assess how well they apply good practice. The criteria we have used are derived largely from the Audit Committee Handbook (March 2007)<sup>2</sup> published by HM Treasury.

2 The Handbook highlights five good practice principles which aim to answer the following key questions:

- **Principle 1: The Role of the Audit Committee** – Does the Audit Committee effectively support the Board and the Accounting Officer by reviewing the completeness of assurances to satisfy their needs, and by reviewing the reliability and integrity of these assurances?
- **Principle 2: Membership, Independence, Objectivity and Understanding** – Is the Audit Committee suitably independent and objective, and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?
- **Principle 3: Skills** – Does the Audit Committee contain or have at its disposal an appropriate mix of skills to perform its functions well?
- **Principle 4: Scope of Work** – Is the scope of the Audit Committee suitably defined, and does it encompass all the assurance needs of the Board and Accounting Officer?
- **Principle 5: Communication** – Does the Committee engage effectively with Financial and Performance Reporting issues, and with the work of internal and external audit? And does the Audit Committee communicate effectively with the Accounting Officer, the Board, and other stakeholders?

3 For each principle, we have developed a series of Good Practice Questions to help Audit Committees conclude whether they are meeting these principles. These are set out in **Section I** of this checklist.

4 In addition, the role of the Chair and the provision of appropriate secretariat support are key for an effective Audit Committee. The Handbook details Good Practice Questions on these two roles. **Sections II** and **III** of this checklist include questions that will enable the Audit Committee to determine if they currently meet this guidance.

1 This Checklist was originally published in November 2009 and has been updated (January 2012) to reflect the requirement for departments, their executive agencies and arm's-length bodies to produce a Governance Statement in place of the Statement on Internal Control in their annual report and accounts for 2011-12 onwards. Guidance on the Governance Statement is set out in the revised Chapter 3 of Managing Public Money (HM Treasury, 2011)

2 *Corporate governance in central government departments: Code of good practice* (HM Treasury, July 2011) provides that Audit Committees should be established and function in accordance with the *Audit Committee Handbook* (HM Treasury, March 2007).

### **How to use this Checklist**

**5** To help Audit Committees conclude as to whether they are meeting the Principles highlighted above, we have developed Good Practice Questions to inform the thinking process. These Questions are phrased to identify 'yes', 'no' or 'not applicable' responses.

**6** We recognise, though, that organisations and their Audit Committees vary considerably in their size and in the complexity of issues that they deal with. In some circumstances, it may therefore be more appropriate to only use the more important Questions to help inform debate – and we have highlighted these in **bold**.

**7** Also, the checklist is not exhaustive, and should the Audit Committee or their organisation feel that they have experience of other good working practice that will make the Committee work more effectively, they should not be deterred from implementing these practices, after consulting with the Board, if appropriate.

### **NAO Facilitated Workshops**

**8** To help Audit Committees use this checklist, the National Audit Office, as part of its performance improvement work, offers **Facilitated Workshops** for Audit Committees to help them use a tailored version of this checklist and draw conclusions as to their effectiveness. In this way, the workshop provides an opportunity for individual Audit Committees to work together, away from their normal business, to assess how well they work and establish areas to develop further. The workshop is followed up with an Action Plan that draws from the decisions and actions raised. This Action Plan will be owned by the Audit Committee, and act as the means by which decisions are implemented and reviewed.

**9** If you would like the NAO to facilitate a workshop for your Audit Committee, please ask your usual NAO contact or Client Lead.

**10** This checklist is also available as a Word document to enable Audit Committees to record their responses electronically.

### **National Audit Office**

November 2009



# Section I

## Good practice principles for Audit Committees

### Principle 1: The role of the Audit Committee

The Audit Committee should support the Board and the Accounting Officer by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances.

#### Good Practice Questions

Terms of Reference	Yes	No	N/A
1 Have all executive responsibilities, and making or endorsing of decisions been excluded from the roles and responsibilities of the Audit Committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Does the Audit Committee follow up recommendations regarding its effectiveness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 <b>Does the Audit Committee's role include monitoring and reviewing the executive's processes for assessing, reporting and owning business risks and their financial implications?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 <b>Has the role and responsibilities of the Audit Committee been clearly defined and communicated to all Audit Committee members, along with details of how the Committee supports the Board?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 <b>Are the Terms of Reference reviewed at least annually by the Board and the Audit Committee, to ensure that the work of the Audit Committee is aligned with good practice and business needs?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 <b>Do the Terms of Reference include rules for a quorum?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 <b>Does the Audit Committee meet regularly (at least four times a year), and do meetings coincide with key dates in the financial reporting and audit cycle?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Additional Comments:****Conclusions**

Do we achieve **Principle 1: The Role of the Audit Committee** – Does the Audit Committee support effectively the Board and the Accounting Officer by reviewing the comprehensiveness of assurances to satisfy their needs, and by reviewing the reliability and integrity of these assurances?

**What do we need to do to enhance the Audit Committee?**

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1  none of the good practice questions.
  - 2  some of the good practice questions.
  - 3  most, if not all of the good practice questions.
-

## Principle 2: Membership, Independence, Objectivity and Understanding

The Audit Committee should be independent and objective; in addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit Committee member.

### Good Practice Questions

Independence		Yes	No	N/A
8	Is the Chair of the Audit Committee different from the Chair of the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Are the Audit Committee members either independent non-executive Board members or independent external members, and have they been appointed for an appropriate period of time (e.g. three years)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Relationship with the Executive</b>				
10	Are the Executive members of the organisation invited to attend Audit Committee meetings, participate in discussions, and provide information to the Audit Committee as and when the Audit Committee deems it necessary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Other Participants</b>				
11	Where appropriate, does a representative from the sponsoring body attend the Audit Committee meetings (e.g. if an Executive Agency, does a member of the Sponsoring Department attend the meeting)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Does the Accounting Officer, Finance Director, Head of Internal Audit and the External Auditor routinely attend the Audit Committee, or attend at the request of the Audit Committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Are the numbers attending the Audit Committee meetings sufficient to deal adequately with the agenda, but not too many to blur issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Conflict of Interest</b>				
14	Is the first agenda item of every meeting a request for the Audit Committee members to declare any potential conflict of interest with any of the business items on the Audit Committee's agenda?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Conflict of Interest (continued)</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>15</b>	In instances where there is a declaration of interest in any of the agenda business items, are appropriate actions taken, e.g. is the member asked to leave the meeting while the business item is being discussed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>16</b>	In instances where the conflict of interest is likely to last for a long time, has the Audit Committee member been asked to relinquish his or her membership?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>17</b>	Are the Audit Committee members required to declare their interest in a register of interests?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Terms of Appointment</b>				
<b>18</b>	<b>Do all Audit Committee members have a clear understanding of what is expected of them in their role, set out in a letter of appointment, including:</b>			
	<b>a. their appointment and purpose;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>b. the support and training that they will receive;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>c. the commitment required;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>d. their remuneration;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>e. conflict of interest procedures;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>f. expected conduct;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>g. duration of appointment and how often it may be renewed;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>h. how their individual performance will be appraised, including a clear understanding of what would be regarded as unsatisfactory performance; and</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>i. termination conditions?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Additional Comments:

## Conclusions

Do we achieve **Principle 2: Membership, Independence, Objectivity and Understanding** – Is the Audit Committee suitably independent and objective, and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?

**What do we need to do to enhance the Audit Committee?**

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1  none of the good practice questions.
  - 2  some of the good practice questions.
  - 3  most, if not all of the good practice questions.
-

**Principle 3: Skills**

The Audit Committee should collectively possess an appropriate skills mix to perform its functions well.

## Good Practice Questions

<b>Range of Skills</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>19</b> Are there formal assessment criteria for the appointment of the Audit Chair, including attitudes to non-executives, strength of personality, experience of chairing, and time commitment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>20</b> Do the assessment criteria of Committee members include, or expect Audit Committee members to acquire as soon as possible after appointment:			
<b>a.</b> understanding of the objectives of the organisation and current significant issues for the organisation;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>b.</b> understanding of the organisation's structure, including key relationships such as that with a sponsoring department or major partner;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>c.</b> understanding of the organisation's culture;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>d.</b> understanding of any relevant legislation or other rules governing the organisation; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>e.</b> broad understanding of the government environment, particularly accountability structures and current major initiatives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>21</b> Does the Audit Committee ensure that there are areas of collective understanding, including:			
<b>a.</b> accountancy – with at least one member having recent and relevant financial experience;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>b.</b> governance, assurance and risk management;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>c.</b> audit;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>d.</b> technical or specialist issues pertinent to the organisation's business;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>e.</b> experience of managing similar sized organisations;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>f.</b> understanding of the wider environments in which the organisation operates; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>g.</b> detailed understanding of the government environment and accountability structures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Additional Skills</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>22</b>	<b>Do the Audit Committee members feel empowered to:</b>			
a.	<b>co-opt members for a period of less than one year to provide specialist skills that the members do not have to be an effective Committee;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	<b>procure specialist advice at reasonable approved expense to the organisation, on an ad-hoc basis to support them in relation to particular pieces of Committee business.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Training and Development</b>				
<b>23</b>	<b>Is there an induction checklist for new Audit Committee members that details key things that they must do e.g. visits to important business locations, meetings with Board, Risk Manager, Internal Audit and External Auditors?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>24</b>	<b>Do all new members of the Audit Committee attend an induction training course for Audit Committee members run by the National School of Government, or other sector-related organisation?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>25</b>	<b>Does the Audit Committee ensure that new members have sufficient knowledge of the business to identify the key risk areas and to challenge both line management and internal and external auditors on critical and sensitive issues?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>26</b>	<b>Does the Audit Committee and the Chair make recommendations to the Board on the Committee's and individual members training needs?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>27</b>	<b>Does the Audit Committee keep abreast of best practice and developments in corporate governance in central government and more widely?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Additional Comments:****Conclusions**

Do we achieve **Principle 3: Skills** – Does the Audit Committee contain or have at its disposal an appropriate mix of skills to perform its functions well?

**What do we need to do to enhance the Audit Committee?**

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1  none of the good practice questions.
  - 2  some of the good practice questions.
  - 3  most, if not all of the good practice questions.
-



### Principle 4: Scope of Work

The scope of the Audit Committee's work should be defined in its Terms of Reference, and encompass all the assurance needs of the Board and Accounting Officer. Within this, the Audit Committee should have particular engagement with the work of Internal Audit, the work of External Auditor, and Financial Reporting issues.

#### Good Practice Questions

Relationship with Internal Audit		Yes	No	N/A
28	Does the Audit Committee consider the independence and effectiveness of Internal Audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	Does the Audit Committee consider that the experience, expertise and professional standard of the Internal Audit team are appropriate for the size, complexity, and inherent risk of the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30	Does the Audit Committee consider that the scope of Internal Audit work, the available resources at its disposal, and their access to information and people allow it to address significant risks within the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	Does the Audit Committee review and approve the Internal Audit plan before they commence any work and make suggestions regarding risk and problem areas that the audit could address in the short and long term?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	Does the Audit Committee receive regular progress reports on studies/work undertaken by Internal Audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	Does the Audit Committee review internal audit reports and management responses to issues raised, and monitor the progress made on Internal Audit's recommendations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Relationship with External Audit</b>				
34	Where relevant, does the Audit Committee consider the independence, objectivity, and effectiveness of the External Auditors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	Does the Audit Committee periodically obtain the views of the External Auditor on the work and effectiveness of the Audit Committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Relationship with External Audit (continued)</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>36</b>	Is the Audit Committee informed by the External Auditors on an annual basis as to their quality control procedures and compliance with applicable UK ethics guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>37</b>	<b>Does the Audit Committee consider the External Auditor's Audit Strategy before they commence work, and make suggestions regarding risk and problem areas the audit could address in the short and long term?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>38</b>	<b>Do the External Auditors inform the Audit Committee of key developments and issues at key stages of the audit?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>39</b>	Where relevant, does the Audit Committee review the audit fees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>40</b>	<b>Does the Audit Committee consider the management letter and other relevant reports (e.g. the NAO's Value for Money work), and the management's response, and monitor the progress made on the recommendations?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Relationship between Internal Audit and External Auditors</b>				
<b>41</b>	Does the Audit Committee consider whether there are areas where joint working between Internal Audit and the External Auditors would be beneficial?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>42</b>	Does the Audit Committee seek confirmation from Internal Audit and the External Auditors on the effectiveness of the relationship?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Fraud</b>				
<b>43</b>	<b>Does the Audit Committee consider whether effective anti-fraud and corruption policies and procedures are in place and operating effectively?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>44</b>	Does the Audit Committee consider whether there is a code of conduct and its distribution to employees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>45</b>	Does the Audit Committee consider whether management arrangements for whistle-blowing are satisfactory?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Internal Control</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>46</b>	Does the Audit Committee consider whether corporate governance is embedded throughout the organisation, rather than treated as a compliance exercise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>47</b>	Does the Audit Committee consider whether the system of internal reporting gives early warning of control failures and emerging risks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>48</b>	<b>Does the Audit Committee consider whether the Governance Statement is sufficiently comprehensive and meaningful, and the evidence that underpins it?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>49</b>	<b>Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>50</b>	Does the Audit Committee consider whether financial control, including the structure of delegations, enables the organisation to achieve its objectives and achieve good value for money?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>51</b>	Does the Audit Committee monitor whether the organisation's procedures for identifying and managing business risk have regard for the relevant legislation and regulation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Financial Reporting</b>				
<b>52</b>	<b>Does the Audit Committee review the first draft of the annual accounts before the External Auditors start work on them?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>53</b>	<b>Before the Accounting Officer signs off the Annual Report and Financial Statements, does the Audit Committee consider:</b>			
	<b>a. that the accounting policies in place comply with relevant requirements, particularly the Treasury's Financial Reporting Manual and Accounts Direction;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>b. that there has been a robust process in preparing the accounts and annual report;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Financial Reporting (continued)</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>c.</b>	<b>whether the accounts and annual report have been subjected to sufficient review by management and by the Accounting Officer and/or Board;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>d.</b>	<b>that when new or novel accounting treatments arise, whether appropriate advice on accounting treatment has been taken;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>e.</b>	<b>whether there is an appropriate anti-fraud policy in place, and whether losses are suitably recorded;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>f.</b>	<b>whether suitable processes are in place to ensure accurate financial records are kept;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>g.</b>	<b>whether suitable processes are in place to ensure regularity and propriety is achieved; and</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>h.</b>	<b>whether issues raised by the External Auditors have been given appropriate attention.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>54</b>	<b>Where the accounts have been qualified, does the Audit Committee consider the action taken by the Board to deal with the causes of the qualification?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>55</b>	<b>Does the Audit Committee satisfy itself that the annual financial statements represent fairly the financial position of the organisation, regardless of the pressures on executive management?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>56</b>	<b>Before the Accounting Officer signs off the Letter of Representation, does the Audit Committee review it and give particular attention to non-standard issues of representation?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Additional Comments:

## Conclusions

Do we achieve **Principle 4: Scope of Work** – Is the scope of the Audit Committee suitably defined, and does it encompass all the assurance needs of the Board and Accounting Officer?

**What do we need to do to enhance the Audit Committee?**

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1  none of the good practice questions.
  - 2  some of the good practice questions.
  - 3  most, if not all of the good practice questions.
-

**Principle 5: Communication**

The Audit Committee should ensure it has effective communication with the Board, the Head of Internal Audit, the External Auditor, and other stakeholders.

## Good Practice Questions

<b>Reporting to the Board</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>57</b>	Does the Audit Committee send regular reports or provide oral updates to the Board that they review at their meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>58</b>	<b>Does the Audit Committee provide an Annual Report to the Board, timed to support preparation of the Governance Statement?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>59</b>	<b>Does the Annual Report of the Audit Committee present the Committee's opinion about:</b>			
	<b>a. the comprehensiveness of assurances in meeting the Board and Accounting Officers needs;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>b. the reliability and integrity of these assurances;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>c. whether the assurance available is sufficient to support the Board and Accounting Officer in their decisions taken and their accountability obligations;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>d. the implication of these assurances for the overall management of risk;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>e. any issues the Audit Committee considers pertinent to the Governance Statement, and any long-term issues the Committee thinks the Board and/or Accounting Officer should give attention to;</b>			
	<b>f. financial reporting for the year;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>g. the quality of both Internal and External Audit and their approach to their responsibilities; and</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>h. the Audit Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Additional Comments:****Conclusions**

Do we achieve **Principle 5: Communication** – Does the Committee engage effectively with Financial and Performance Reporting issues, and with the work of internal and external audit? And does the Audit Committee communicate effectively with the Accounting Officer, the Board and other stakeholders?

**What do we need to do to enhance the Audit Committee?**

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1  none of the good practice questions.
  - 2  some of the good practice questions.
  - 3  most, if not all of the good practice questions.
-

## Section II

### The role of the Chair: good practice

The Chair of the Audit Committee has particular responsibility for ensuring that the work of the Audit Committee is effective, that the Committee is appropriately resourced, and that it is maintaining effective communication with stakeholders.

#### Good Practice Questions

<b>Agenda Setting</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>60</b> Is the Board Secretary different from the Audit Committee Secretary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>61</b> Does the Chair of the Audit Committee meet with the Committee Secretary before every meeting to discuss and agree the business for the meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>62</b> Are inputs on Any Other Business formally requested in advance from Committee members and attendees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>63</b> Are outline agendas planned one year ahead to cover core activities and specific issues on a cyclical basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>64</b> Does the agenda exclude executive business, so that there is no overlap with the work of the Board whilst linking to the main elements of the organisation's business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>65</b> Are the meetings set for a length of time which allows all business to be conducted, yet not so long that the meeting becomes ineffective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>66</b> Does the Chair encourage full and open discussion and invite questions at the Audit Committee meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Communication</b>			
<b>67</b> Does the Chair of the Audit Committee have open lines of communication with the Board, Head of Internal Audit, and the External Auditors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>68</b> Does the Chair encourage all Committee members to have regular interface with the organisation and its activities to help them understand the organisation, its objectives, and business needs and priorities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>69</b> Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>70</b> Does the Audit Committee issue guidelines concerning the format and content of the papers to be presented to the Committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



	Yes	No	N/A
<b>Monitoring Actions</b>			
<b>71 Does the Chair or the Secretariat ensure that all action points from Committee meetings are appropriately acted upon?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>72</b> Does the Chair or the Secretariat ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>73</b> Is a report on matters arising made and minuted at the Audit Committee's next meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Appraisal</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>74</b> Does the Chair ensure that the Committee members are provided with an appropriate appraisal of their performance as a Committee member?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>75</b> Does the Audit Committee Chair seek appraisal of their personal performance from the Accounting Officer or Chair of the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>76 Are Audit Committee meetings well attended, with records of attendance maintained and reviewed annually by the Board?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Appointments</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>77</b> Is the Chair involved in the appointment of new Committee members, including providing advice on the skills and experience required of the new individual?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Additional Comments:****Conclusions**

Do we meet **Good Practice: the Role of the Chair** – Is the Committee appropriately resourced, work planned in advance as far as possible, and effective communication with stakeholders maintained?

**What do we need to do to enhance the Audit Committee?**

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1  none of the good practice questions.
  - 2  some of the good practice questions.
  - 3  most, if not all of the good practice questions.
-

## Section III

### Committee support: good practice

The Audit Committee should be provided with appropriate Secretariat support to enable it to be effective. This is more than a minute-taking function – it involves providing proactive support for the work of the Committee, and helping its members to be effective in their role.

#### Good Practice Questions

<b>Does the Audit Committee Secretariat:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>78</b> Commission papers as necessary to support agenda items?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>79</b> Circulate meeting documents to all Committee members, Internal Audit and External Auditors in good time before each meeting, to allow members time to study and understand the information e.g. at least one week before the meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>80</b> Arrange for Executives/senior management to be available as necessary to discuss specific agenda items with the Audit Committee during meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>81</b> <b>Keep records of meetings and minutes after they have been approved by the Audit Chair and circulate them to Committee members, Head of Internal Audit, External Auditors, Board, and the Accounting Officer on a timely basis e.g. within one week of the meeting?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>82</b> <b>Ask for confirmation that the minutes are a true and fair representation of a summary of the business taken by the Audit Committee?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>83</b> Ensure that the minutes clearly state all agreed actions, the responsible owner, when they will be done by and any advice given from any stakeholders?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Does the Audit Committee Secretariat: (continued)</b>		<b>Yes</b>	<b>No</b>	<b>N/A</b>
<b>84</b>	<b>Ensure action points are being taken forward between meetings?</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>85</b>	Support the Chair in the preparation of Audit Committee reports to the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>86</b>	<b>Arrange the Chair's bilateral meetings with:</b>			
	<b>a. the Accounting Officer, the Head of Internal Audit, Director of the External Auditors;</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>b. the Chair of the Board of sponsored NDPBs.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>87</b>	Keep the Chair and members in touch with developments and relevant background information about developments in the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>88</b>	Maintain a record of when members' terms of appointment are due for renewal or termination?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>89</b>	Ensure that appropriate appointment processes are initiated when required?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Additional Comments:****Conclusions**

Do we meet **Good Practice: Support for the Committee** – Does the Committee receive appropriate support from its secretariat?

**What do we need to do to enhance the Audit Committee?**

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1  none of the good practice questions.
  - 2  some of the good practice questions.
  - 3  most, if not all of the good practice questions.
-



# Where to find out more

The National Audit Office website is

[www.nao.org.uk](http://www.nao.org.uk)

Links to other websites

[www.hm-treasury.gov.uk/audit\\_committee\\_handbook.htm](http://www.hm-treasury.gov.uk/audit_committee_handbook.htm)

[www.hm-treasury.gov.uk/d/mpm\\_annex3.1.pdf](http://www.hm-treasury.gov.uk/d/mpm_annex3.1.pdf)

If you would like to know more about the NAO's work in this area please email

[Z5-FMGP@nao.gsi.gov.uk](mailto:Z5-FMGP@nao.gsi.gov.uk)

[www.nao.org.uk/financial-management](http://www.nao.org.uk/financial-management)

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