

### **Proposed Evaluation Criteria:**

Source: Audit Committee Institute 'Shaping the UK Audit Committee Agenda'

Ref	Assessment Criteria	External Audit Response
<b>Calibre of external audit firm</b>		
1	What is the reputation and presence of the external audit firm in Local Government?	
2	Does the external audit firm have the size, resources and geographical coverage required to audit the Authority?	
<b>Quality processes</b>		
3	What are the quality control processes in the external audit firm? Factors to be considered include the level and nature of review procedures, the approach to audit judgements and issues, independent quality control reviews and the external audit firms approach to risk.	
<b>Audit Team</b>		
4	Do the individuals assigned to the external audit team have the requisite expertise, including Local Government knowledge, to effectively audit the Authority?	
5	What is the scope of the engagement partner's/other senior personnel's involvement in the audit process and is this sufficient?	
6	Does the external audit firm have adequate key team member succession plans in place?	
<b>Audit Scope and Control</b>		
7	Is the external audit scope adequate to address all the financial reporting risks facing the Authority?	

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8	Does the external audit firm agree the audit scope and plan with the audit committee?	
9	Is specialist input to the audit in areas such as taxation, pensions and regulation at an appropriate level?	
10	Are all key operations covered by the external audit?	
11	Are the reporting processes for subsidiary audit teams effective?	
12	Does the external auditor have: <ul style="list-style-type: none"> <li>• an effective working relationship with internal audit and Accountancy?</li> <li>• effective co-ordination arrangements and co-operation between the auditor, Relationship manager and other statutory review agencies.</li> </ul>	
<b>Audit Fee</b>		
13	Is the external audit fee reasonable given the scope of the external audit, and how does the audit fee compare with other similarly sized Authorities (a fee that is either too high or too low can be of concern)?	
14	How are differences between actual and estimated fees handled?	
15	Is there considered to be achievement of the audit plan within the agreed fee?	
16	Is an assessment made of the amounts and relationship of audit and non-audit fees and services?	
<b>Audit Communications</b>		
17	Does the external audit firm advise the audit committee about significant issues and new developments regarding risk management, corporate governance, financial accounting and related risks and controls on a timely	

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	basis?	
18	Does the external auditor discuss the critical accounting policies and whether the accounting treatment is conservative or aggressive?	
19	Does the external auditor resolve accounting issues in a timely manner?	
20	Are unadjusted audit differences and significant weaknesses in internal controls appropriately communicated?	
21	Does the external auditor seek feedback on the quality and effectiveness of the service they are providing?	
<b>Audit Governance and Independence</b>		
22	Is the relationship with the external auditor controlled by the audit committee or does management control the relationship?	
23	Does the external auditor have open lines of communication and reporting with the audit committee, and meet regularly on a confidential basis?	
24	Do the individuals assigned to the audit demonstrate a high degree of integrity in their dealings with the audit committee?	
25	Does the external auditor discuss their internal process for ensuring independence with the audit committee?	
26	Does management respect the external auditors as providers of an objective and challenging audit process?	
27	Is the level and nature of entertainment between the external auditor and management appropriate?	
28	Does the nature of non-audit services provide any potential to impair audit independence?	

Ref	Views of members and officers	Commentary
29	<p data-bbox="264 236 409 268"><u>Reporting</u></p> <ul data-bbox="264 308 1016 651" style="list-style-type: none"> <li>• timeliness of reports and presentations (including discussion drafts);</li> <li>• practicality and constructiveness of recommendations;</li> <li>• contribution to improving the control environment;</li> <li>• improvement achieved following the audit;</li> <li>• standard of written reports and presentations;</li> <li>• approach to follow up (by auditor and the audited body) to consider improvement/impact.</li> </ul>	
30	<p data-bbox="264 770 371 802"><u>Overall</u></p> <ul data-bbox="264 842 1055 1297" style="list-style-type: none"> <li>• what the auditor has done well;</li> <li>• the key areas where the auditor has made a positive impact;</li> <li>• what the auditor might do to improve the local audit and its impact;</li> <li>• what the audited body could do to improve the audit;</li> <li>• the adequacy of communication and consultation as audit work progresses;</li> <li>• whether the work of external audit is completed within agreed deadlines;</li> <li>• consideration of whether the audit plan has been achieved within the agreed fee.</li> </ul>	