

Proposed Evaluation Criteria:

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

Ref	Assessment Criteria	External Audit Response
Calibre of external audit firm		
1	What is the reputation and presence of the external audit firm in Local Government?	The Audit Commission is the single largest supplier of audit services to local government, providing audit to over 70% of local government clients.
2	Does the external audit firm have the size, resources and geographical coverage required to audit the Authority?	The audit is resourced by the Audit Commissions Central Region team (based in Solihull and Birmingham). The audit has a dedicated audit manager and team leader supported by auditor resources as needed to deliver the audit to the required deadlines and quality standards.
Quality processes		
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.	Audit Policy & Practice (Audit Commission) appoints auditors to local public bodies in England. The Audit Commission quality arrangements are as follows: <ul style="list-style-type: none"> • Internal review procedures requiring assessment of all work by the Audit Manager and District Auditor • annual national quality review process in place for all audit suppliers • local quality 'hot reviews' • external independent review by the Audit Inspection Unit.
Audit Team		
4	Do the individuals assigned to the external audit team have the requisite expertise, including Local Government knowledge, to effectively audit the Authority?	The District Auditor, Audit Manager and the Team Leader have significant local government experience and have the requisite expertise 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?	The District Auditor is responsible for the overall delivery of the audit including signing the opinion. As part of this the District Auditor will meet regularly with the Chief Executive and Treasurer to share and receive feedback. The Audit Manager is responsible for the day to day running of

Ref	Assessment Criteria	External Audit Response
		<p>the audit.</p> <p>District Auditor and Audit Manager input is based on a risk assessment of the size and risk involved with the audit.</p>
6	Does the external audit firm have adequate key team member succession plans in place?	District Auditor and Audit Manager rotations are required every five years. We aim to plan so that DA and AM rotations are carried out different points to ensure continuity of knowledge.
Audit Scope and Control		
7	Is the external audit scope adequate to address all the financial reporting risks facing the Authority?	The audit plan has been based on an annual assessment taking into account the Authority's views from senior management, the Audit Committee, Internal Audit and national guidance. The plan is adequate to address the financial reporting risks faced by the Authority.
8	Does the external audit firm agree the audit scope and plan with the audit committee?	The Audit Plan is agreed and approved annually with the Audit Committee.
9	Is specialist input to the audit in areas such as taxation, pensions and regulation at an appropriate level?	We have a Technical Services Department who will provide advice on any specific accounting issues including pensions and taxation.
10	Are all key operations covered by the external audit?	Yes – all key financial systems are identified and reviewed annually. An assessment is made of risk management processes, anti fraud processes and processes for ensuring the legality of the Authority's transactions.
11	Are the reporting processes for subsidiary audit teams effective?	There are no subsidiary audit teams.
12	<p>Does the external auditor have:</p> <ul style="list-style-type: none"> an effective working relationship with internal audit and Accountancy? effective co-ordination arrangements and co-operation between the auditor, Relationship manager and other statutory review agencies. 	<p>Regular meetings are held between internal audit and external audit and the relationship is considered to be effective. External audit seek to rely on the work of internal audit wherever possible.</p> <p>Input is sort from other agencies as is deemed appropriate for the various Audit Code requirements. The input to the audit of other agencies is limited due to the nature of the requirements. Input is sought from other agencies in relation to the judgements made on Use of Resources and CAA.</p>

Ref	Assessment Criteria	External Audit Response
Audit Fee		
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)?	The audit fee for 2009/10 is 3.7% below the recommended fee scale as determined by the Audit Commission Work Programme & Fees 2009/10. The fee is considered sufficient for the size of the organisation and risk assessment.
14	How are differences between actual and estimated fees handled?	Any proposed adjustments are discussed and agreed with Treasurer and reported in the Annual Audit & Inspection Letter.
15	Is there considered to be achievement of the audit plan within the agreed fee?	The audit plan is based on a risk assessment of the work required to deliver a compliant Code of Practice. The associated audit fee is agreed annually and any significant changes to assumptions made in setting the fee are agreed with the Treasurer and reported to the Audit Committee.
16	Is an assessment made of the amounts and relationship of audit and non-audit fees and services?	All non audit work is approved by the engagement lead following an assessment as to whether it is appropriate as external auditors to complete the work. Audit and non-audit fees are reported separately in the Annual Audit & Inspection Letter.
Audit Communications		
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 basis?	Such issues are included in external audit reports to Audit Committee. Examples include: <ul style="list-style-type: none"> • Annual Audit & Inspection Plan – this will include a summary of the year's findings and provide a forward-look to significant issues in the year ahead. • Progress Reports – each audit committee will receive a progress report against the agreed plan and also details of national issues and reports for action and information.
18	Does the external auditor discuss the critical accounting policies and whether the accounting treatment is conservative or aggressive?	We would initially discuss any concerns with the Treasurer. Where issues warrant being brought to the attention of the Audit Committee, this will be done via: <ul style="list-style-type: none"> • a formal report to those charged with governance (ISA 260 report) if raised during the posts statements audit; or • progress reports during the year of issues being discussed with management and the specific concerns to be addressed. • a private meeting with the audit committee, if we consider

Ref	Assessment Criteria	External Audit Response
		the matter is likely to lead to a significant difference of opinion between external audit and management.
19	Does the external auditor resolve accounting issues in a timely manner?	We would look to resolve all queries in a timely manner.
20	Are unadjusted audit differences and significant weaknesses in internal controls appropriately communicated?	Weaknesses in internal controls would be reported to those charged with governance following completion of reviews and agreement of findings with management. Unadjusted differences are reported via the ISA260 report.
21	Does the external auditor seek feedback on the quality and effectiveness of the service they are providing?	This is achieved through the engagement lead's regular meetings with the Chief Executive and feedback from the Audit Committee.
Audit Governance and Independence		
22	Is the relationship with the external auditor controlled by the audit committee or does management control the relationship?	The relationship with the external auditor is controlled by the audit committee and independent meetings with the Chair or members of the Audit can be held as and when required.
23	Does the external auditor have open lines of communication and reporting with the audit committee, and meet regularly on a confidential basis?	The auditor has free and regular access to the audit committee. Private meetings are held as and when necessary.
24	Do the individuals assigned to the audit demonstrate a high degree of integrity in their dealings with the audit committee?	We aim to have an open and honest relationship with both audit committee and management at all times.
25	Does the external auditor discuss their internal process for ensuring independence with the audit committee?	We report our compliance with the independence requirements of the Code of Audit Practice twice annually as part of the audit plan agreement and then as part of the ISA 260 report.
26	Does management respect the external auditors as providers of an objective and challenging audit process?	We have not received any adverse feedback in our dealings with management.
27	Is the level and nature of entertainment between the external auditor and management appropriate?	None provided
28	Does the nature of non-audit services provide any potential to impair audit independence?	Any conflict of interest issues would be considered prior to acceptance of any non-audit services.

Ref	Views of members and officers	Commentary
-----	-------------------------------	------------

29	<p><u>Reporting</u></p> <ul style="list-style-type: none"> • timeliness of reports and presentations (including discussion drafts); • practicality and constructiveness of recommendations; • contribution to improving the control environment; • improvement achieved following the audit; • standard of written reports and presentations; • approach to follow up (by auditor and the audited body) to consider improvement/impact. 	To be completed by authority
30	<p><u>Overall</u></p> <ul style="list-style-type: none"> • what the auditor has done well; • the key areas where the auditor has made a positive impact; • what the auditor might do to improve the local audit and its impact; • what the audited body could do to improve the audit; • the adequacy of communication and consultation as audit work progresses; • whether the work of external audit is completed within agreed deadlines; • consideration of whether the audit plan has been achieved within the agreed fee. 	To be completed by authority