

**APPENDIX 2 TO AGENDA ITEM 15 : AUDIT COMMITTEE SELF  
ASSESSMENT 2009/10**

ISSUE	YES	NO	In part	COMMENTS/ACTION
<b><u>TERMS OF REFERENCE &amp; DUTIES</u></b>				
Does the Audit Committee have written terms of reference that adequately and realistically define the Committee's role in accordance with industry good practice standards?	X			Terms of Reference available on the SEH website. They adequately reflect good practice guidance.  Latest Terms of Reference were approved by the committee in April 2010 (therefore not applicable to 2009/10).
Have the terms of reference been adopted by the Board?	X			Originally approved and adopted by the Board through the Board's Terms of Reference in Nov 2008.  Post April Terms of Reference adopted by committee in April and therefore by the Board.
Are the terms of reference reviewed annually to take into account: <ul style="list-style-type: none"> <li>• governance developments; and</li> <li>• the remit of other committees within the Company?</li> </ul>	X			Pre April 2010 Terms of Reference state they should be reviewed annually with a due date stated of November.  Updated Terms of Reference (post April 2010) requires the Audit Committee to scrutinise the progress made by the committees in implementing action plans in respect of Risk Management, Performance, and Value for Money and to provide independent verification to the Board.
Can the Committee access other committees and the full Board as necessary?	X			The Audit Committee minutes are formally reported to the Board. It also has the discretion to report any other relevant or urgent matters in addition to the minutes.  The Audit Committee has a defined role in scrutinising progress made by other committees in implementing action plans.  <b>Action: Clarify how the Audit Committee can efficiently gain assurance regarding the effective</b>

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				<b>operation of other key committees.</b>
Has the Committee established a work plan for the year?			X	<p>The Committee's activities for 09/10 was mainly based around the work of Internal Audit and External Audit and the standing items and forward plan held in Corporate Services</p> <p>However had a standard approach of receiving an update on the risk register and management accounts at each meeting.</p> <p>Issues for each agenda are formulated from the previous meeting.</p> <p><b>Action: Develop and agree with all relevant parties a formal work plan to set out what information the Audit Committee will receive, from who and when.</b></p> <p><b>The plan should address, and be clearly referenced to, all roles and responsibilities in its Terms of Reference and thereby include all key governance / business processes.</b></p>
Are changes to the Committee's current and future workload discussed and approved at Board level?	X			<p>The Audit Committee minutes are always presented at Board meetings for approval and agreement. As such, any changes to workload discussed at the Audit Committees are passed up to Board level.</p> <p>The Updated Terms of Reference (post April 2010) have been approved by the Board</p>

**MEETINGS AND REPORTING**

Does the Committee meet the appropriate number of times to deal with planned matters?	X			The minimum number of meetings is 4 per year as per the Terms of Reference. The ability exists to call additional meetings as required.
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				<p>Planned dates were reported in:</p> <ul style="list-style-type: none"> <li>• May 2009</li> <li>• July 2009</li> <li>• Oct 2009</li> <li>• Jan 2010</li> </ul> <p>No additional meetings were required in 2009/10.</p>
Are Committee meetings scheduled prior to important decisions being made?	X			The Audit Committee operates a regular meeting cycle that enables it to discharge key (in some cases statutory) duties and takes account of the annual External Audit requirements.
Is the timing of Committee meetings discussed with all the parties involved?	X			See above and action re development of Work Plan.
Are Committee papers distributed in sufficient time for members to give them due considerations?	X			
Are minutes received as soon as possible after the meetings?			X	<p>The chair of the Audit Committee receives draft minutes for approval in a timely manner but these are not made available to other members at the same time. Attendees do not receive minutes until the next meeting.</p> <p><b>Action: Clarify how draft minutes are to be circulated and agreed as an accurate record of the meeting.</b></p> <p><b>Clarify how feedback from the Audit Committee is to be reported to the Board e.g. presentation of the minutes or a summary Chairman's report.</b></p>

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Do action points arising from the meetings indicate who is to do what and by when?	X			
Does the Committee report regularly to the Board?	X			After every meeting.
Does the Committee assess its own effectiveness periodically?		X		This is the first assessment.
Does the Committee prepare an annual report on its work and performance in the preceding year for consideration by the Board?		X		This is the first assessment
Does the Annual Report include a description of the Committee's establishment and activities?		X		This will be done.

**COMMITTEE MEMBERSHIP**

Has the membership of the Committee been formally agreed and a quorum set?	X			
Is the Chair independent of the executive function?	X			The Terms of Reference states that Committee members will be chosen from the Board (Board Chair cannot be on the audit committee). In 09/10 the Chair was Tony Summers, who has been on the SEH Board since 2007.
Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	X			The Executive Director is responsible for supporting the Audit Committee. Key officers attend each meeting. Officer support is given to administrate the meetings.
Are Committee members independent of the management team and other key committees of the Company?	X			Committee members are members of the Board therefore not part of the officer management team. Declarations of interests are made at start of each

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				meeting (standing agenda item). Members of the Audit Committee are members of other committees that allows the organisation to utilise their skills and abilities at all levels.
Are members, particularly those new to the Committee, provided with training in all areas of its remit?			X	There is an induction programme in place for all new board members  New members have training relevant to their Committee roles. New Committee members Catherine Haycock and Nigel Folkard attended Audit Committee training on the 26th November 2009.  It is felt that more targeted training session on specific aspects of the Audit Committee's work would be helpful.  <b>Action: Develop a plan to meet members' training needs.</b>
Do members have sufficient knowledge of the Company to identify key risk areas and to challenge both management and the auditors on critical and sensitive matters?	X			This continues to be developed through, experience, training sessions and regular contact with auditors / officers particularly regarding external drivers which impact on the Audit Committee role.
Does at least one Committee member have a financial background?	X			Tony Summers (Chair)
Are members attending meetings on a regular basis and if not, is appropriate action taken?	X			Members were attending on a regular basis. Minutes of meetings indicate only one apology.
Are meetings free and open without political influences being displayed?	X			

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**COMPLIANCE WITH THE LAW AND REGULATIONS**

Has the Committee formally assessed whether the support it receives is sufficient and enables it to ensure that it complies with relevant laws and regulations?	X			The Committee is supported by the Executive Director and the Support Services Officer.
Does the Committee have a mechanism to keep it aware of topical, legal and regulatory issues?			X	Auditors and officers bring current issues to the Committee's attention as they arise through either briefing papers or information items attached to Committee papers.  <b>Action: Add an information item to the agenda to highlight the latest topical, legal and regulatory developments relating to the Audit Committee's work.</b>

**INTERNAL CONTROL AND RISK MANAGEMENT**

Has the Committee been briefed on its assurance responsibilities with regard to internal control and risk management, particularly with regard to the Statement on Internal Control / Governance Statement, the Assurance Framework, and the Head of Internal Audit's opinion?			X	The Committee considered reports around this (May 2009) about establishing an assurance framework. This has not been progressed as yet.
Has the Committee considered how its work integrates with the wider performance and risk management responsibilities of other committees?	X			For the most part of 2009/10, this was a limited risk because of the way the nature and extent of other committees (i.e. Remuneration was only other committee).  <b>Action: Clarify the respective roles and responsibilities of the other committees in relation to the Audit Committee.</b>

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Does the Committee receive regular assurance statements encompassing all the organisation's responsibilities, that the system of internal control is operating effectively and that it is effective in managing risk?	X			<b>Action: Map how the Audit Committee receives this assurance as part of developing the work programme.</b>

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Is there clarity over the timing and content of the assurance statements received by the Committee?	X			
Does the Committee consider the outcome of the annual review of the effectiveness of the system of internal control?	X			<p>Manager Assurance Statements, Head of Internal Audit Annual Report were received at the July 2009 meeting for 08/09 and at the April 2010 meeting for 09/10.</p> <p><b>Action: Receive annual reports from key committees to inform the Audit Committee's review of effectiveness.</b></p>
Does the Committee review the proposed inserts into the Council's annual Governance Statement to ensure that it is consistent with its view of the Company's system of internal control?	X			At the April 2010 meeting for 09/10.
Does the Committee receive progress reports with regard to the action plan produced to address any significant internal control issues reported in the Council's Governance Statement?	X			<p>At the July 2009 meeting for 08/09.</p> <p>At the April 2010 meeting for 09/10.</p>
Has the Committee satisfied itself that the Company's risk management arrangements are reviewed annually and are fit for purpose?	X			<p>A risk management review was carried out by Internal Audit and reported in July 2009.</p> <p>Also, risk management strategy incorporating an action plan and risk register was reported in January 2010.</p> <p>There was a review of the risk register at 3 of the 4 meetings.</p>
Does the Committee receive risk management reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed?	X			There was a review of the risk register at 3 of the 4 meetings.



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Has the Committee satisfied itself that the Company's approach to dealing with fraud and corruption is reviewed annually, is fit for purpose and creates a strong counter fraud culture throughout the Company?			X	These have been reported to the committee, however not in 2009/10 N/A as a three year review. <b>Action: Review and approve annually the anti fraud and corruption and whistleblowing policies, strategies and action plans should.</b>
Does the Committee receive reports regarding fraud and corruption activity on a regular basis?		X		Updates are provided where there is specific work undertaken on an exception basis only. <b>Action: Update regularly on fraud and corruption issues as part of the agreed formal work plan.</b>

**OFFICER ATTENDANCE**

Does the senior finance officer or deputy attend all meetings?	X			Cliff Parker (Executive Director) is the company secretary and attended all meetings.  Tola Ekunpa (Financial Services Manager/Management Accountant) attended all meetings.  In addition, Simon Putt (Group Manager Financial Services) attended 3 of the 4 meetings.
Does the Committee have the benefit of attendance of appropriate officers at its meetings?	X			The Committee reserves the right to request officers or other members to attend to deal with specific issues should they arise.

**INTERNAL AUDIT**

**TERMS OF REFERENCE**

Do formal terms of reference exist, defining Internal Audit's objectives, responsibilities and reporting lines?	X			In conjunction with the Strategy as set up in 08/09 for a three year period.
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Do the terms of reference adequately specify the relationship between the Head of Internal Audit and the Audit Committee?	X			In conjunction with the Strategy as set up in 08/09 for a three year period.
Are the terms of reference approved by the Committee and routinely reviewed?	X			The terms of reference and strategy were approved in January 2008. This has not been formally reviewed/re-approved each year as it was set up on the understanding that it was relevant for 3 years.
Are the key principles of the terms of reference set out in the Financial Procedure Rules?	X			Last considered in April 2010.

**AUDIT PLAN AND REPORTING**

Does the Committee review and approve the Internal Audit Plan at the beginning of the financial year?	X			In January each year.
Are audit plans derived from clear processes based on risk assessment with clear links to the Assurance Framework?	X			As set out in the strategy.
Has the Committee established a process whereby it reviews any material objection to the plans and associated assignments that cannot be resolved through negotiation?	X			This has not happened to date but if this arose, it would be reported to the Chairman / Audit Committee as appropriate.
Does the Committee approve any material changes to the plan?	X			Where any changes to the plan are made, they have been reported for approval.
Does the Committee review the adequacy of staffing and resources within Internal Audit to deliver the plan?	X			
Does the Audit Committee receive periodic reports from	X			At every meeting

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the Head of Internal Audit on the delivery of the plan?				
Has the Committee determined the appropriate level of detail it wishes to receive from Internal Audit?	X			Members confirmed they are happy with current reporting arrangements.
Does the Committee effectively monitor the implementation of management actions arising from audit reports?	X			At every meeting

**INDEPENDENCE AND RELATIONSHIPS**

Does the Head of Internal Audit have a direct line of reporting to the Chief Executive, the Committee and its Chairman?	X			Terms of Reference allows for the "Head of Internal Audit to have direct access to, and freedom to report in her name, to all officers and Board members particularly those charged with governance
Does the Committee hold periodic private discussions with the Head of Internal Audit?	X			Discussions are not formalised into a set, regular programme but have occurred informally as required. As determined by the Chair of Audit
Is the relationship between the senior finance officer (Executive Director) and the Head of Internal Audit clearly defined?	X			In the Terms of Reference appendix 2 entitled "How we will work with you".
Does Internal Audit operate without any restrictions put upon them? If not, what are they and who establishes them?	X			The Terms of Reference sets out this requirement and has been followed.
Is Internal Audit free from any operating responsibilities or conflicts of interest that could impair its objectivity?	X			Internal Audit complete and maintain Declarations of Interest. The service ensures resourcing on audits relating to SEH work is done accordingly.
Is there appropriate cooperation with the External	X			In areas where relevant. However, there is limited

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Auditor?				cooperation.

**ANNUAL REPORT AND PERFORMANCE**

Does the Committee consider an annual assessment of Internal Audit compared to the requirements of the CIPFA Code of Practice and the Head of Internal Audit's opinion on the adequacy of the Company's system of internal control?	X			Undertaken at the July 2009 meeting – Head of IA Annual Report and Annual Assessment of IA Performance.
Has the Committee agreed a range of Internal Audit performance measures to be reported on a routine basis?	X			Covers economy, efficiency, effectiveness and staffing. Performance is reported to each Committee meeting. IA summary progress reports also produced.
Are there any quality assurance procedures to confirm whether the work of the Internal Auditors is properly planned, completed, supervised and reviewed?	X			<p>All audits are independently reviewed by a supervisor as the work progresses.</p> <p>The team has an approach for undertaking independent file reviews once the work has been completed and final report issued. This ensures quality standards have been maintained across the team.</p> <p>In 2009/10, all staff and supervisors had one job subjected to independent quality review.</p>

**EXTERNAL AUDIT & INSPECTION**

Does the External Auditor present the audit plan, strategy and fee to the Committee for approval?	X			2009/10 External Audit Plan submitted 27 Jan 2010. This includes the strategy and fee
Does the Audit Committee receive External Audit and Inspection reports?	X			<p>External Audit presented year end audit report 14 July 2009 (for year 2008/09).</p> <p>For 2009/10, External Audit to present on 15 July 2010.</p>

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Does the Committee receive and monitor actions taken in respect of prior years' reviews?	X			Progress report on 2008/09 Action Plan reported January 2010
Does the Committee consider the report covering the audit of the financial statements?	X			As above, 08/09 annual report regarding audit of financial statements presented in July 2009.
Does the Committee assess the performance of External Audit?		X		Committee should consider whether and how it wants to do this (other than reappoint or not each year).
Does the Committee hold periodic private discussions with the External Auditor?	X			As determined by the Chair of the Audit Committee.

**ANNUAL ACCOUNTS**

Is the Committee's role in the approval of the annual accounts clearly defined?	X			In its Terms of Reference
Does the Committee receive reports on changes in accounting treatment or other significant financial matters arising during the year?	X			The Financial Services Manager reported on changes in accounting policies in January 2010.

**Good Practice Guidance Sources:** CIPFA Audit Committees, Practical Guidance for Local Authorities, CIPFA A Toolkit for Local Authorities Audit Committees, NHS Audit Committee Handbook 2005, Accounts and Audit Regulations 2003, The Accounts and Audit (Amendment) (England) Regulations 2006.