



**Charity Audit Committee
performance evaluation**
Self-assessment checklist

September 2016

With increasing responsibilities and complexities, being a member of the Audit Committee has never been more challenging for Trustees. To help respond to this, and to facilitate the evaluation process, we have developed a document which provides audit committee members with a comprehensive checklist of what is required of them.

Although this checklist is not mandatory under charity legislation, it is a best practice benchmark for charities and we believe this checklist will help audit committees to assess their own performance and identify areas for further development. Whilst we believe this to be a comprehensive checklist, each charity Audit Committee should update/amend the checklist to suit their particular requirements.

Background

An Audit Committee's role is to help the Board of Trustees meet their responsibilities by providing independent oversight of a charity's systems of internal control, risk management and financial reporting, and through supervision of the quality, independence and effectiveness of both the internal and external auditors.

The Charity Commission sees an Audit Committee's role being "to help the trustees meet their responsibilities for risk management, internal controls and the efficient and effective use of funds. An audit committee is therefore part of the financial governance arrangements of a charity which acts on the authority delegated to it by the trustees and should therefore have appropriate terms of reference and a clear reporting line to the trustee body." Source: CC8 Internal financial controls for charities.

An Audit Committee ("Committee") can achieve this by a combination of the following:

- examining the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems;
- reviewing arrangements established by management for compliance with regulatory and financial reporting requirements;
- performing, monitoring and reviewing the application of policy relating to the external audit of the charity;
- monitoring and reviewing external audit findings and management's response thereto;

- reviewing the statutory annual accounts and financial reports; and
- monitoring the effectiveness of the charity's systems of internal control, risk, governance inspection and reporting, including:
 - arrangements to safeguard the charity's assets;
 - arrangements to prevent fraud or error; and
 - arrangements to promote value for money in the conduct of the charity's operations such as the processes in place to support the Board in strategic planning.

A. Composition, Establishment and Duties	Response			Comments
1. Does the Committee have at least three members, or in the case of smaller charities two members?	● Yes	● No	● N/a	
2. Are appointments to the Committee made by the Board in consultation with the Committee chairman?	● Yes	● No	● N/a	
3. Is an induction programme provided for new Committee members, covering the role of the Committee, its terms of reference, expected time commitment and an overview of the charity's business model and strategy, identifying the main business and financial dynamics and risks?	● Yes	● No	● N/a	
4. Is Committee membership for a period of up to three years, extendable by no more than two additional three-year periods (so long as members continue to be independent)?	● Yes	● No	● N/a	
5. Does the Committee have written terms of reference that have been adopted by the Board and which properly define the Committee's role?	● Yes	● No	● N/a	
6. Do those terms include monitoring and reviewing:				
• integrity of annual accounts and significant financial reporting judgements?	● Yes	● No	● N/a	
• internal financial controls?	● Yes	● No	● N/a	
• internal control and risk management systems?	● Yes	● No	● N/a	
• effectiveness of internal audit?	● Yes	● No	● N/a	
• independence of external auditor?	● Yes	● No	● N/a	
• policy on non-audit services?	● Yes	● No	● N/a	
• making recommendations on appointment, remuneration and terms of engagement of the external auditor?	● Yes	● No	● N/a	
• reporting to the Board on how it has discharged its responsibilities?	● Yes	● No	● N/a	
7. Are the terms of reference reviewed annually to take developments into account?	● Yes	● No	● N/a	
8. Has the Committee established a work plan for the year?	● Yes	● No	● N/a	
9. Are the Committee's members independent of the management team?	● Yes	● No	● N/a	
10. Has the Committee been provided with sufficient authority, resources and training to perform its role effectively and independently?	● Yes	● No	● N/a	
11. Does the Committee report regularly to the Board?	● Yes	● No	● N/a	

A. Composition, Establishment and Duties (continued)	Response			Comments
12. Is the Committee provided with sufficient knowledge of the charity to identify key risk areas and to challenge management and auditors?	●	●	●	Yes No N/a
13. Does at least one Committee member have a financial background?	●	●	●	Yes No N/a
14. Does the Committee prepare an annual report on its work and performance to the Board?	●	●	●	Yes No N/a
15. Does the Committee assess its own effectiveness periodically?	●	●	●	Yes No N/a
16. Is the effectiveness of the Committee reviewed by the Board annually?	●	●	●	Yes No N/a
B. Risk Management	Response			Comments
17. Has the Committee formally considered how its work integrates with performance management and compliance standards?	●	●	●	Yes No N/a
18. Has the Committee reviewed whether the reports it receives are timely and have the right format and content to ensure its risk management responsibilities are discharged?	●	●	●	Yes No N/a
19. Does the Committee have a process/reporting structure to keep it aware of topical, legal and regulatory issues?	●	●	●	Yes No N/a
20. Is the Committee satisfied that the Board has been advised that assurance reporting is in place to encompass the charity's responsibilities?	●	●	●	Yes No N/a
21. Does the Committee regularly review the charity's risk register and management's action plan?	●	●	●	Yes No N/a
22. Does the Committee review arrangements by which staff of the charity may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters?	●	●	●	Yes No N/a
23. Does the Committee review arrangements by which staff of the charity may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters?	●	●	●	Yes No N/a
24. Does the Committee receive and review an annual report on the charity's Business Continuity Plan?	●	●	●	Yes No N/a
25. Does the Committee monitor and advise the Board on the effectiveness of the charity's arrangements to ensure compliance with the Charities Act, Companies Act, other relevant legislation?	●	●	●	Yes No N/a

C. Internal Audit**Response****Comments**

Guidance from CC8 “Internal financial controls for charities”: The nature of internal financial controls implemented will depend on the size of a charity and its activities. As size and complexity increase so does the potential role for an internal audit function. The role of internal audit is to look at the effectiveness of a charity’s financial controls and to help the trustees and managers identify and assess risks to the charity. Internal audit should also advise on how the charity should manage and monitor risk, and on the completeness of its risk register.

26. Has the Committee considered the need for an internal audit function? Or equivalent informal compliance role?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
27. Do formal terms of reference exist, defining internal audit’s objectives, responsibilities and reporting lines?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
28. Are the internal audit terms of reference approved by the Committee and routinely reviewed?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
29. Does the Committee consider the role and effectiveness of the internal audit function in the overall context of the charity’s risk management system?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
30. Does the Committee review and approve the internal audit plans at least annually?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
31. Are audit plans derived from clear processes based on risk assessment with clear links to the assurance framework?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
32. Does the Committee receive regular reports from internal audit?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
33. Does the Committee consider findings of internal audit and effectively monitor implementation of any follow-up action?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
34. Does the Committee review and challenge, where necessary, the actions and judgements of management, in relation to internal audit findings?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
35. Does internal audit have direct reporting lines to the Committee and/or the Board?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
36. Is internal audit free from any operating responsibility or conflicts of interests that could impair their objectivity?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
37. Does the Committee review at least annually the effectiveness of internal audit and the adequacy of resources?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
38. Does the Committee regularly review the registers for complaints and regulatory breaches?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
39. Is there appropriate cooperation between internal audit and the external auditor?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
40. Does the Committee hold periodic private discussions with Internal Audit?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
41. Are there any quality assurance procedures to confirm whether the work of internal audit is properly planned, completed and reviewed?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a
42. Is the charity’s “Compliance Manual” reviewed by the Committee at least annually?	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Yes	No	N/a

D. External Audit	Response			Comments
43. Does the Committee have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditor?	● Yes	● No	● N/a	
44. Does the Committee have primary responsibility for approving fees for the audit?	● Yes	● No	● N/a	
45. Has the Committee set and applied a formal policy specifying types of non-audit services (if any):				
• for which the use of external auditor is pre-approved;	● Yes	● No	● N/a	
• for which specific approval from the Committee is required; and	● Yes	● No	● N/a	
• from which the auditor is excluded?	● Yes	● No	● N/a	
46. Does the Committee assess annually the qualification, expertise, resources and independence of the external auditors and the effectiveness of the audit process?	● Yes	● No	● N/a	
47. Has the Committee assessed annually the independence and objectivity of the external auditor, taking into consideration any non-audit services performed?	● Yes	● No	● N/a	
48. Does the Committee monitor the external audit firm's compliance with relevant Ethical Standards relating to the rotation of audit partners, the level of fees that the charity pays in proportion to the overall fee income of the firm, or relevant part of it, and other related regulatory requirements?	● Yes	● No	● N/a	
49. Does the external auditor present their audit plan and strategy to the Committee for approval?	● Yes	● No	● N/a	
50. Does the Committee review the external auditor's findings, in particular the annual management letter (or equivalent), and monitor management's responsiveness?	● Yes	● No	● N/a	
51. Does the Committee review the level of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted?	● Yes	● No	● N/a	
52. Does the Committee review the audit representation letter before signature by management and give particular consideration to matters where representation has been requested that relate to non-standard issues?	● Yes	● No	● N/a	
53. Does the Committee receive and monitor actions and recommendations made by the external auditor?	● Yes	● No	● N/a	
54. Does the Committee assess the performance of the external auditor?	● Yes	● No	● N/a	
55. Does the Committee meet at least annually with the external auditor without the presence of management?	● Yes	● No	● N/a	
56. Where the external auditor has resigned, has the Committee investigated the issues giving rise to such resignation and considered whether any action is required?	● Yes	● No	● N/a	

E. Annual Accounts	Response			Comments
57. Is the Committee's role in the approval of the annual accounts clearly defined?	● Yes	● No	● N/a	
58. Does the Annual Trustees' Report of the charity include a description of the Committee's establishment and activities?	● Yes	● No	● N/a	
59. Does the Committee review the draft annual accounts and assess the overall presentation before submission to the Board?	● Yes	● No	● N/a	
60. Does the Committee annually review the accounting policies of the charity?	● Yes	● No	● N/a	
61. Does the Committee review the significant financial reporting issues and judgements made in connection with the preparation of the annual accounts?	● Yes	● No	● N/a	
62. Does the Committee review the clarity and completeness of disclosures in the annual accounts?	● Yes	● No	● N/a	
63. Is the chairman of the Committee present at the AGM to answer questions, through the chairman of the Board, on matters within the scope of the Committee's responsibilities?	● Yes	● No	● N/a	

F. Administrative Arrangements	Response			Comments
64. Do only the Committee chairman and members receive automatic invitations to a meeting of the Committee?	● Yes	● No	● N/a	
65. Are there arrangements for Executives/senior management to be available as necessary to discuss specific agenda items with the Committee during meetings?	● Yes	● No	● N/a	
66. Are Committee meetings scheduled prior to important decisions being made?	● Yes	● No	● N/a	
67. Is sufficient time allowed to enable the Committee to undertake as full a discussion as required?	● Yes	● No	● N/a	
68. Is sufficient time between Committee meetings and main Board meetings allowed for any work arising from the Committee meeting to be carried out and reported to the Board as appropriate?	● Yes	● No	● N/a	
69. Are papers relevant, of good quality and circulated in good time in advance of meetings?	● Yes	● No	● N/a	
70. Are minutes received as soon as possible after the meeting?	● Yes	● No	● N/a	
71. Do minutes clearly state all agreed actions, the responsible owner, when they will be done by and any advice given from any stakeholders?	● Yes	● No	● N/a	
72. Does the Chair ask for confirmation that the minutes are a true and fair representation of a summary of the business taken by the Committee?	● Yes	● No	● N/a	

F. Administrative Arrangements (continued)

Response

Comments

73. Does the Chair ensure that all action points from Committee meetings are appropriately acted upon?	<input checked="" type="radio"/> Yes <input checked="" type="radio"/> No <input checked="" type="radio"/> N/a	
74. Does the Committee meet the appropriate number of times annually to deal with planned matters?	<input checked="" type="radio"/> Yes <input checked="" type="radio"/> No <input checked="" type="radio"/> N/a	
75. Does the Chair keep in touch on a continuing basis with the key people involved in the charity's governance, including the Board chairman, the chief executive, the finance director, the external audit lead partner (and the head of internal audit)?	<input checked="" type="radio"/> Yes <input checked="" type="radio"/> No <input checked="" type="radio"/> N/a	

G. Conclusion

Response

Comments

76. Having considered the responses to the questions above, is the Committee of the opinion that the Committee has effective formal and transparent arrangements for considering statutory reporting, risk management and internal control principles and for maintaining an appropriate relationship with the charity's auditor.	<input checked="" type="radio"/> Yes <input checked="" type="radio"/> No <input checked="" type="radio"/> N/a	
--	---	--

Please use the below space to make any other comments you consider relevant to the self-assessment of the Committee:

Deloitte's Charities and Not For Profit Group

Our dedicated Charities and Not For Profit Group is made up of specialists with expertise and a passion for working with clients in the sector. Please visit www.deloitte.co.uk/charitiesandnotforprofit for more information about the Group.

With access to a group of specialists spread across the country, we will provide truly local expertise and service, backed up by the resources of a National Team.

Please feel free to contact any of the team members if you would like more detailed information and advice or would like to meet with us to discuss any current issues for your charity.

National Head of Charities and Not For Profit Group

Reza Motazed

London

Partner

020 7007 7646

rmotazed@deloitte.co.uk

Regional Representatives

South East

Sue Barratt

Partner

0118 322 2219

sbarratt@deloitte.co.uk

Scotland

Susan Forrester

Partner

0131 535 7267

sforrester@deloitte.co.uk

Midlands

David Hall

Partner

0115 936 0798

davidbhall@deloitte.co.uk

North East/North West

Sarah Anderson

Associate Director

0113 292 1343

saanderson@deloitte.co.uk

Northern Ireland

Jackie Henry

Partner

028 9053 1197

jahenry@deloitte.co.uk



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2016 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000
Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. J9052