Country of Linguania

Linguania is a small country located in the continent of Collundria, with a total area of approximately 50 000 km^2. It is a wealthy and developed country, with a temperate climate, and its main industries are agriculture, tourism and fishing. The country is a mixture of lowlands in the south and east regions, and mountainous terrain in the west and north. The capital city, Leagtown, is located on the east coast and has a population of around 500 000. The total population in the country, as determined in the 2020 census, is 4.3 million, of which more than 2.5 million are resident in the east region. The currency in Linguania is the Linguanian £.

Linguania is a parliamentary democracy. It elects a president as head of state every five years, and each president is limited to one term in office. The current president, Marya Berthier, was elected with 70% of the votes in 2020, having campaigned on a platform to increase cooperation and trade with other countries, and to improve the employment situation by developing modern industries. She has also stated that Linguania should be an inclusive nation, with respect for all different groups in society. The President is a member of the Linguania Centrist Party, and has appointed a Cabinet who collectively develop government policy, which is implemented through 12 ministries, plus a number of executive agencies and arms-length public bodies (ALPBs). Ministries and executive agencies are staffed by permanent civil servants, and ALPBs are staffed by public servants who have different pay and pension arrangements to civil servants.

Although ALPBs are not formally part of a government ministry, their strategic framework is set by the relevant minister, and the minister is accountable to parliament for the ALPB's performance. ALPBs have some operational freedoms that are not available to executive agencies, such as being able to decide their own staffing structure and pay scales. Major decisions – for example, the appointment of the ALPB's Chief Executive Officer (CEO) – have to be approved by the minister. ALPBs must also comply with principles of good governance and value for money (VFM) as set out in government guidance. Each ALPB has a recognised Accountable Person, who has overall responsibility for the financial management and financial stewardship of the organisation. A team of civil servants within the relevant ministry, referred to as the 'sponsor team', is responsible for supporting, advising, and guiding each ALPB.

ALPBs each prepare a separate set of annual financial statements, which are consolidated into the relevant ministry's financial statements before being presented to parliament. The financial statements for the Linguania government are prepared on a cash basis, but a pilot project has been established to look at the Linguanian public sector moving to an accruals-based system for financial reporting. A small number of Linguanian public sector organisations are to be selected to prepare shadow accruals based financial statements for the year to 31 December 2023, prior to full implementation of accruals-based financial reporting across the public sector in 2026.

History and language

Part of Linguania's complex history has involved movement of different ethnic groups into the territory, resulting in a legacy of several minority languages being used on a daily basis in homes and other settings in Linguania. English is the country's official language, and is used predominantly in government, education, business and other more formal contexts. Kiliac is one of the country's minority languages.

In 1900 it was estimated that, in Kilia, a mountainous region in the north-west of Linguania, 90% of the residents spoke Kiliac as their first language and that there were more than 300 000 Kiliac speakers across the country. Subsequently, as a result of emigration, an emphasis on English in education and other official contexts, and other factors, the number of Kiliac speakers in Linguania fell to 40 000 by 2000. However, since

then there has been a significant revival of interest in Kiliac in Linguania. A key factor was the region's most famous poet, S. Molean, being awarded the Collundria Prize for Literature in 2001, which provided a boost to the recognition and status of the Kiliac language in Linguania. A programme of Kiliac Medium Education in primary and secondary schools has boosted the number of young people who can speak Kiliac. An annual music and arts festival focusing on Kiliac culture has also been established, and attracts more than 10 000 visitors to the Kilia region for the week of events every September. The most recent census in 2020 showed an increase in Kiliac speakers to 60 000, with many of those having learned the language as adults. According to the 2020 census, approximately 70% of Kiliac speakers live in the Kilia region, with the remainder spread fairly evenly across the rest of the country.

The Linguania Government has made a series of commitments to support and encourage minority languages across the country, and these have been brought together in a Linguania Minority Languages Plan, which was published in 2021 and is intended to provide the framework for language planning until the next scheduled parliamentary and presidential elections in 2025.

Kiliac Language Council (KLC)

The KLC, an ALPB, was established by act of parliament in Linguania in 2002. The Kiliac Language Act 2001 (KLA 2001) sets out the legislative basis for KLC. The first CEO of KLC served in that role until her retirement in 2012. Since then, there have been five CEOs, each serving for between nine months and three years. The current CEO (and the Accountable Person for KLC), Sonia Boren, was appointed in July 2019, and previously worked in a senior role at the Kilia Agricultural University.

KLA 2001 aims to secure the status of the Kiliac language as an official language of Linguania commanding equal status to English. One of the key features of KLA 2001 is the provision enabling KLC to require public bodies to prepare Kiliac Language Plans. This provision was designed to ensure that the public sector in Linguania plays its part in creating a sustainable future for Kiliac by raising the language's status and profile and creating practical opportunities for its use. These requirements apply to the whole of Linguania, not just to the regions where Kiliac has historically been primarily spoken.

KLC provides Type 1 grants to public bodies to support the development and implementation of Kiliac Language Plans. The amount of Type 1 grant awarded is based on bids from the organisation submitted to KLC and determined through negotiation with KLC. Other grants (Type 2 grants) are awarded by KLC to a wide range of bodies, including voluntary and private sector organisations (also, based on bids from those organisations), whose activities are judged to be beneficial to the Kiliac language and help to promote KLC's objectives.

The requirement for a public body to prepare a Kiliac Language Plan is initiated by KLC issuing a formal notice to that effect under KLA 2001. Each plan covers a five-year period. The first plans commenced in 2004, and some organisations are now in their fourth plan, for the period 2019-23. Language plans typically include items such as making official documents available in Kiliac, introducing Kiliac signage in premises and vehicles, adapting websites to include Kiliac content, and in some instances may include appointment of staff with specific Kiliac language responsibilities. The content of language plans varies greatly, depending on the location of the organisation, the core services it provides, its size in terms of staffing and funding, and the extent to which the organisation's key members of senior staff see Kiliac as a priority issue or not.

KLA 2001 gives an official framework to the efforts to preserve and sustain the Kiliac language and culture, and KLC is responsible for carrying out the provisions of the Act. Under the terms of KLA 2001, KLC's responsibilities include the following:

- To give advice to Linguania government ministers on issues relating to the Kiliac language.
- To prepare and manage the National Kiliac Language Plan.
- To provide guidance to public bodies on Kiliac Language Plans and to approve those plans.
- To provide funding to organisations that provide services relevant to the use, development, and promotion of the Kiliac language.
- To monitor the implementation of the Collundria Charter for Indigenous and Endangered Languages, and report the findings to government ministers.
- To ensure VFM in the distribution of grant funding to support Kiliac language development.
- To support external organisations to increase the number of Kiliac speakers across Linguania and the opportunities for Kiliac speakers to use the language.

KLC's mission statement is '*To ensure that the Kiliac language is used on a regular basis across Linguania, and that it is seen as a major asset of Linguanian life and culture*'.

The Board of KLC consists of a non-executive Chair and up to twelve other non-executive members who are appointed by the government's Minister for Cultural Affairs. The Board is responsible for the overall management, strategic direction, and performance of KLC. In addition, the Board is supported by a Human Resources Committee, a Policy Committee, and an Audit Committee. KLC's executive leadership team is led by the CEO, and comprises the Head of Kiliac Culture, the Head of Development and Planning, and the Head of Finance and General Services (HoFGS).

External audit report

In 2020, a private accountancy firm was appointed by the Linguania Auditor General (AG) as external auditors to KLC for a five-year period. In 2021, the AG used their statutory powers to require an 'additional scope' external audit to be carried out on several ALPBs, including KLC. In this audit, the external auditors allocated additional days to undertake work beyond the usual focus on the annual financial statements, reviewing various aspects of the systems of governance, management and operations at the ALPBs. Reports resulting from additional scope audits are presented to the Linguania Public Accounts Committee (LPAC), and officials from the public body being audited may be called to respond to questions and to provide evidence to the LPAC.

The additional scope audit report for KLC was issued in April 2022 and was highly critical of the performance of KLC, particularly in relation to the following areas:

- Financial management and financial procedures.
- Governance (including the role of the Audit Committee).
- Performance management and VFM.

As well as highlighting a number of deficiencies within these areas, the auditors concluded that there was an overall culture within KLC whereby staff lacked clear objectives and were insufficiently challenged by management, there was little clarity on how VFM should be achieved, and some stakeholder needs were not being prioritised.

The auditors also made some more positive comments in their report. These included noting that staff at KLC demonstrated a real commitment to the organisation and its overall mission. Further, it noted that many KLC staff were involved in voluntary activities related

to the Kiliac language, and some had worked for other language organisations before joining KLC.

As the audit report identified significant issues relating to governance requiring urgent action by KLC and the sponsor team, the KLC Board agreed an improvement plan based on the issues identified by the auditors and their associated recommendations. An Improvement Plan Task Force (IPTF) was established in June 2022 to oversee the implementation of the plan and to report progress to KLC's Audit Committee.

KLC Board and committees

At the time that the additional scope external audit was being carried out (between January and March 2022), the KLC Board had five members. An additional board member was appointed in June 2022, so that the Board currently has six members. Members are initially appointed for a four-year term, and can be re-appointed for a second term subject to their performance being satisfactory. Information on the members of the Board is provided in the following table.

Members at January 2022	**Background**	**Appointed**	**Committee roles**
Nicholas Rost (interim Chair of the Board)	Former company director, local councillor	2016	Policy Committee Audit Committee
Anna Michaels	Solicitor	2016	Policy Committee Human Resources Committee (chair)
Carl Bezuk	Teacher	2015	Policy Committee (chair) Audit Committee
Julie Karig	Linguistics research, publishing	2015	Audit Committee Human Resources Committee
Helen Bets	Journalist	2015	Audit Committee (chair) Human Resources Committee
Additional member			
Alexander Bolk	Local government accountant (CPFA)	June 2022	To be decided at end of induction period

In addition to the responsibilities shown in the table above, Julie Karig was appointed by the Board in June 2022 to chair the meetings of the IPTF. The other members of the IPTF are Vera Count, Head of Development and Planning (leadership team member) and Alfie Berg, Operations Manager (staff member), who reports to the HoFGS.

The Board has operated with an average of six members for the past five years, and has not had more than seven members at any one time in that period. Recruitment of Board members is carried out through the government Appointments to Public Bodies Unit (APBU), and final approval for all appointments is provided by the relevant minister. The average time from initially asking the APBU for permission to advertise for additional members to appointments being approved by the minister is 4.5 months. Applicants are interviewed by a panel including representatives from KLC, the sponsor team, and the APBU. The panel then make recommendations for appointments to the minister.

Nicholas Rost took up the role of Chair in January 2022, after the previous Chair left suddenly in December 2021 due to ill health. He is performing this role on an interim basis, as the appointment of a permanent Chair needs to go through the formal process managed

by the APBU. To date, no arrangements have been made to advertise this role, and Nicholas Rost has indicated that he would not be interested in taking up the role on a permanent basis.

KLC have a policy that all Board members should have a reasonable level of competence in spoken and written Kiliac, as much of its business is conducted in the Kiliac language. In the most recent recruitment, which it was hoped would result in 3 additional members being appointed, there were a total of 12 applicants, 4 of whom were interviewed, but it was decided that only one 1 (Alexander Bolk) was suitable for appointment to the Board. Of the 12 who applied, 5 were rejected before the interview stage because they did not have sufficient ability in Kiliac, but each of these 5 applicants had experience and skills that could have been useful to the Board.

Audit Committee

KLC Audit Committee members attended a training session in May 2022, together with members of the KLC leadership team and the Chair of the Board, focused on the role of audit committees. The training was delivered by staff from the sponsoring ministry, and a short session was led by an external audit representative. Committee members were provided with a series of handouts setting out government guidance on relevant issues; this included a list of key principles that audit committees are expected to apply in their work, which are:

- Independence and objectivity
- Relevant skills
- Clearly defined role and scope
- Effective communication with, and reporting to, stakeholders.

Appendix 1 summarises Linguanian government guidance on audit committee responsibilities.

The 2022 additional scope external audit report was critical of KLC's Audit Committee in relation to each of these principles, and, in particular, noted that the committee did not have a comprehensive range of skills for carrying out the role expected of an audit committee.

The Chair of KLC's Audit Committee took issue with much of the criticism of the Audit Committee included in the external audit report, and in June 2022 wrote to the CEO highlighting the amount of work committee members had carried out in the past year, their dedication, the additional meetings arranged to ensure that committee work was completed, and the full attendance at all committee meetings in the period. Further, the Chair referred to each committee member providing a vast amount of relevant experience to the committee's work as each one is in their second term as a Board member, also serving on the Audit Committee for most of that time. She also argued that as they have attended several relevant training sessions on audit, finance, and the work of committees, this has further enhanced their skill set.

The CEO subsequently wrote to the auditors (copied to the ministry sponsor team), highlighting the points that the Audit Committee Chair had made. She also added that, in terms of specialist finance skills, she is of the view that her finance staff (two of whom are qualified accountants), who typically attend the Committee meetings, are able to provide advice and guidance to the Committee when required, which can compensate for any short-term gaps in relevant skills and experience amongst Committee members.

The terms of reference (TOR) for KLC's Audit Committee set out its main roles and responsibilities, voting procedures, timing of meetings, etc. According to the TOR, the agenda for each meeting is set by the Committee Chair, and members can add items under

'any other competent business' at the beginning of meetings. The TOR allow the Committee, as with other committees of KLC's Board, to co-opt additional members without going through the APBU. The co-opted Committee members would not be members of the full Board, and would only serve on the Committee for a period of two years, with the possibility of extending to a third year subject to satisfactory performance. Co-opted Committee members can be appointed through an interview panel consisting of the CEO and chairs of the Board and the Committee. Co-opted members receive a remuneration equivalent to 25% of that paid to full Board members and are expected to provide an average of 1 day's work per month. KLC do not have any co-opted members at present.

As the Audit Committee receives reports from the external auditor, which are in English, it conducts much of its business in English or through bilingual reports.

Internal audit

Internal audit responsibilities are included within the job description of KLC's HoFGS. The HoFGS is required to prepare an internal audit plan at the beginning of the financial year for Audit Committee approval. For the past 10 years, the annual plan has consisted solely of audits of internal control, leading to an average of 8 reports per year, two per quarter, with each report reviewing a specific process or function, a cycle which tends to be repeated every 3 to 4 years.

The external auditors noted in their recent report that there have been no VFM (or performance) audits in the internal audit plans in recent years. The report also highlighted that there have been no internal audit reports dealing with risk management or governance matters in the past three years.

The current HoFGS, Petja Dennis, has been in post since 2012. He had previously been a member of the KLC Board, from 2004 to 2008, while he was working in private practice as an accountant and auditor in the private sector. His job description allows for 25% of his time to be allocated to internal audit work, but in the last year less than 10% of his time has been on internal audit work. Also, of the three internal audit reports scheduled for the first half of 2022, only one was completed and presented to the Audit Committee, in June, and there have been no reports produced since. The HoFGS has told the Audit Committee that the reduced volume of reports has been partly due to the added pressures arising from the additional scope external audit report, difficulties caused by the Covid-19 pandemic, and staff absences in the finance team.

The HoFGS has two members of finance staff in his team. The Finance Officer works full time, and the Finance Administrator is employed on a 0.5 full-time equivalent contract.

Change management project

KLC staff have analysed the 51 recommendations that were made in the additional scope external audit report and identified 98 actions that will be required to fulfil them. The actions have been passed to the IPTF for them to develop detailed plans for taking this work forward and monitoring progress. The IPTF at its first meeting in July 2022 started allocating each of the actions to members of staff and identifying target dates for each to be completed. Target dates ranged from 30 September 2022 for some of the least challenging tasks, to 31 December 2023 for the more complex tasks.

One of the key recommendations made by the external auditors was that KLC would need to view their response to the report as a change management project. As part of that, the auditors recommended that KLC should ensure that dedicated and skilled leadership capacity is in place to ensure that the change management project is led effectively and the report's recommendations are successfully implemented. Further, the auditors

recommended that KLC consider external options for providing this support. At the beginning of August 2022, other than the establishment of the IPTF, no action had been taken to address this recommendation.

Julie Karig, in her role as chair of IPTF, became concerned that adding these 98 tasks to the existing workload of staff was inappropriate, and achieving the target dates would be difficult if staff were overloaded with responsibilities. Linguania had been hit hard by the Covid-19 pandemic from early 2020, and some KLC staff were still experiencing difficulties at work because of the disruption caused during the worst periods of the pandemic and the associated restrictions. Although staff absence rates were low during the pandemic, they had risen by 25% in the first half of 2022.

Julie wrote to the CEO on 15 July 2022, pointing out the need to make progress with the auditor's recommendation that an appropriately skilled person to manage the change project should be appointed. The IPTF had included a target date of 30 September for their appointment and 31 December 2022 for the completion of this task, it being allocated to the CEO for action. The external audit report did not provide any detail regarding the content of the change management support, the length of time required, etc, but Julie suggested to the CEO that KLC should budget for 30 person-days of input, for the remainder of 2022.

Staff survey

Every year, KLC issues a survey to all staff. The results of the July 2022 survey, which had a 100% response rate, are summarised in the following table.

Topic	Percentage satisfaction
Management and leadership	70%
Pay and conditions	90%
Training and development	50%
Interesting work	95%
Clarity of organisational goals and mission	95%
Opportunities for advancement within the organisation	60%

In the section of the survey inviting staff to make additional comments, several respondents referred to the external audit report, stating that they felt the criticisms were in some cases unfounded or exaggerated. Many respondents also felt that one of the attractions of working for KLC was the informal approach taken to some aspects of the organisation's work, rather than there being rigid, bureaucratic policies imposed on staff, which they felt were typical in other Linguanian government bodies. Many respondents also stated that they felt a close connection with KLC and its aims, partly because they were able to organise their own work and follow work practices that suited them as individuals.

Funding

KLC is funded through an annual grant from the Ministry of Cultural Affairs. The grant is paid to enable KLC to fulfil its statutory functions and to deliver the government's strategic objectives. The Ministry also provides an indication of the level of funding that KLC can expect for the following two financial years, although that is still subject to confirmation each year, and is dependent on funds being available. The financial year runs from 1 January to 31 December.

KLC's grant funding has risen in line with inflation from £10m when the organisation was established in 2002 to £12.6m in 2022. During that time, the staff level in KLC rose from 27 full time equivalent (FTE) to 28.5 FTE. KLC is able to set its own annual budget, within the overall grant, but this is subject to formal approval by the minister. The budget is

provided by the ministry in three sections (running costs, Type 1 development grants, Type 2 development grants). Once the annual budget is approved by the minister, any virement between these three sections requires ministerial approval. Virement within these sections during the year can be approved by the KLC Board.

KLC's expenditure budget for 2022, together with actual figures for 2021, (both on a cash basis) are summarised in the following table:

	Budget 2022 £m	Actual 2021 £m
Staff costs	2.520	2.460
Other running costs	0.630	0.620
Total running costs	**3.150**	**3.080**
Type 1 development grants for language plans	**3.780**	**3.800**
Type 2 development grants to other bodies	**5.670**	**5.600**
Total expenditure	**12.600**	**12.480**

The Ministry provided the following notes in the letter informing KLC of its 2022 funding:

- Running costs – This is for staff and other costs that are necessary for the operation of KLC. KLC must operate within this amount and monitor this closely throughout the year. KLC must not exceed the level of funding available for running costs unless they have received Ministry approval to do so.
- Type 1 grants – The Ministry expects KLC to take a strategic approach to the use of these funds and to distribute the funding in line with the priorities agreed in the Linguania Minority Languages Plan.
- Type 2 grants – KLC is expected to distribute this funding in line with the core priorities and projects listed in the Linguania Minority Languages Plan.

Both Type 1 and Type 2 grants are annual grants, and are awarded at the discretion of KLC, based on bids presented by the organisations and subsequent negotiation with KLC staff. Grants up to £20 000 can be awarded with the CEO's authorisation, grants between £20 000 and £50 000 need to be approved by the Policy Committee, and grants over £50 000 require Board approval.

The KLC guidance for grant applicants states that successful applications receive payment at the start of the activity for 60% of the grant awarded for the year, a further 20% is payable on receipt of a satisfactory interim report and the final 20% is payable on receipt of a satisfactory final report from the recipient organisation.

The external audit report included some criticism of KLC's approach to awarding both Type 1 and Type 2 grants and assessing the VFM achieved from each. Also, recipient organisations have complained that the application process is time consuming and confusing, and that the reporting requirements that have to be met before some cash payments are made by KLC are onerous.

It is mostly voluntary groups, community organisations, and charities that receive Type 2 grants. These organisations are often very small and rely heavily on any grants that KLC provide. The grant amounts can vary considerably from year to year, and there is little information from KLC on how the annual grant amount is calculated. For small organisations, annual grants are typically between £20 000 and £50 000.

Type 2 grants are also received by some larger organisations, such as university departments that engage in Kiliac teaching or research, media and cultural organisations, and bodies running regional festival events. These organisations have indicated that they find it a problem that grants are only for one year, with no indication if further grants will

be available in later years. KLC, as a public body with an annual budget, does not at present make commitments beyond the current financial year.

Accruals-based financial reporting pilot

The Government of Linguania is planning to replace its existing cash accounting system with accruals-based financial statements over the next few years. It has reviewed the experience of other Collundrian countries that have attempted to implement accruals-based financial reporting over the past ten years, and has noted that the most successful programmes have been where the government has taken a phased approach to implementation.

The government has issued a draft plan for implementation. This involves selecting a small group of public bodies to take part in a pilot phase to implement accruals-based financial reporting. The pilot organisations would be required to prepare shadow financial statements using accruals based financial reporting in 2023 alongside their cash-basis financial statements. In 2023, the accruals-based financial statements would not be subject to external audit, with only the cash-basis statements being audited. In 2024 and 2025, the pilot organisations would prepare accruals-based financial statements as their main statements. Organisations that are not part of the pilot, will only need to prepare cash-basis financial statements during this period, and will prepare their first accruals-based financial statements in 2026.

The Candidate

You are Loren Sher, a recently qualified accountant, working on a temporary basis as Finance and Projects Manager at KLC. You are on a one-year secondment from another ALPB, and report directly to the CEO of KLC. You were appointed on 1 August 2022, partly in response to the work resulting from the additional scope external audit report.

Appendix 1 – Government guidance on Audit Committee roles and responsibilities

Principle 1: Independence and objectivity

The Audit Committee should be independent and objective in the way that it is constituted and in its operations. In addition, each member should have a thorough understanding of the objectives and priorities of the organisation. Members must also be fully informed of their role and responsibilities as a Committee member.

Independence includes ensuring that executive members of the organisation are not appointed to Audit Committee roles, though they should be in attendance at Committee meetings to provide information and advice to Committee members.

Members of a sponsor team may also attend Audit Committee meetings, but should not be appointed as members of the Committee.

Processes should be in place to ensure that any conflicts of interest are recorded and that appropriate action is taken where conflicts of interest arise in relation to any Committee meeting items.

Terms of appointment should be clearly set out at the time of appointment of Committee members.

Principle 2: Relevant skills

The Audit Committee should corporately own an appropriate skills mix to allow it to carry out its overall function. The Committee is charged with ensuring that the Board and Accountable Person of the organisation gain the assurance they need on:

- risk management
- governance
- internal control.

Due to the importance of financial management and reporting to any organisation, at least one Committee member should have recent and relevant financial experience. This experience should be sufficient to allow them to engage competently with financial management and reporting in the organisation, and associated assurances.

The Committee should identify the other skills required for its effectiveness, and should agree these with the Board and Accountable Person. This set of skills should inform the choice of members of the Committee, and it should be reviewed on a regular basis.

The Committee should be empowered to co-opt members for a period of time (not exceeding two years, and with the approval of the Board and/or Accountable Person) to provide specialist skills, knowledge and experience that the Committee needs at a particular time. It may also be empowered to procure specialist advice on an ad-hoc basis in order to obtain support in relation to particular Committee business.

Appropriate arrangements should be made for induction training for Committee members, including training on public sector standards of governance and internal audit.

Principle 3: Clearly defined role and scope

The Committee should support the Accountable Person and Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment, and the integrity of financial statements and the annual report.

The scope of the Committee's work should be stated in its terms of reference and should include all the assurance needs of the Accountable Person and Board. Within this, the

Committee should have particular engagement with the work of Internal Audit, external audit, risk management activities, and financial management and reporting work.

The role of the Audit Committee in relation to Internal Audit should include advising the Accountable Person and Board on the following:

- The Internal Audit strategy and periodic Internal Audit plans, forming a view on how well they reflect the organisation's risk exposure and support the Head of Internal Audit's responsibility to provide an annual opinion.
- The adequacy of the resources available to Internal Audit.
- The Internal Audit charter/terms of reference for Internal Audit.
- The results of Internal Audit work, including reports on the effectiveness of systems for governance, risk management and control, and management responses to issues raised.
- The annual Internal Audit opinion and annual report.
- The performance of Internal Audit, including conformance with applicable standards, performance objectives, and the results of both internal and external quality assessments.

Principle 4: Effective communication with, and reporting to, stakeholders

The Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the Head of Internal Audit, external audit and other relevant assurance providers (e.g., Risk Manager). In addition, the role of the Committee Chair and provision of appropriate secretariat support are important elements in achieving the effectiveness of the Committee.

After each Committee meeting, a report should be prepared for the Accountable Person and Board to: a) summarise the business taken by the Committee; and b) offer the views of, and advice from, the Committee on issues which they consider the Accountable Person and Board should take action on. If the minutes of the Committee meeting are used as the report, care should be taken in their presentation to highlight the advice being provided. These reports should be copied to the Head of Internal Audit and the External Auditor (especially if the report contains advice about, or for, the auditors).

The Committee should provide an Annual Report. This internal report needs to be open and honest in presenting the Committee's views if it is to be of real benefit to the Accountable Person and Board. The Annual Report should summarise the Committee's work for the past year, including its opinion on the effectiveness of governance, risk management and control, the comprehensiveness of assurances in meeting the Accountable Person's and Board's needs, financial reporting for the year, the quality of both internal and external audit and their approach to their responsibilities, and the Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.