

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2013). Where an audit committee has a high degree of performance against the good practice principles then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

Regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Section 1 – Good Practice Questions

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	✓			
2	Does the audit committee report directly to full council?	✓			The Audit and Governance Committee present an annual report to Full Council. The 2016/17 report was presented to Council on 19 October 2017
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement*? * The Purpose of Audit Committees (CIPFA Position Statement) extract: <i>Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.</i>	✓			The ToR are based on the latest guidance from CIPFA; "Audit Committees: Practical Guidance for Local Authorities and Police" (2013 Edition) and therefore clearly set out the purpose of the Committee in accordance with CIPFA's position statement. The last update to the terms of reference was approved by Constitution Committee in July 2016. A review of the terms of reference will be undertaken upon release of CIPFA's updated guidance.

Good practice questions	Yes	Partly	No	Comments/Actions for Improvement
<p><i>The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.</i></p>				
<p>4 Is the role and purpose of the audit committee understood and accepted across the authority?</p>		<p>✓</p>		<p>The Committee's Terms of Reference are included in the Council's Constitution and are approved by Full Council.</p> <p>The Annual Report of the Committee is presented to Full Council. It addresses the areas where the Committee should be held to account and helps to ensure that those not directly involved in the work of the Committee achieve an understanding of its role and purpose</p> <p>IMPROVEMENT ACTIONS:</p> <p><i>Training and awareness on the purpose and function of the Audit and Governance Committee to be provided to the Committee once the updated CIPFA Guidance has been received.</i></p> <p><i>Formal training from CIPFA to be included in the Member Development Programme in June 2019.</i></p> <p><i>Other ways of raising awareness of the Committee and its purpose to be discussed with the Senior Member Development Office.</i></p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			<p>The Annual Report of the Committee is presented to full Council. It addresses the key areas where the Committee should be held to account including what impact it has had on the improvement of governance, risk and control within the Council.</p> <p>Delegated governance responsibilities include approving the Council's Annual Governance Statement (AGS).</p>
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			<p>Moved from Partly to Yes</p> <p>The Audit and Governance Committee's ToR set out the accountability arrangements.</p> <p>The Annual Report of the Committee is currently based on recommendations made by the CIPFA Better Governance Forum and those contained in Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition). It is presented to full Council and addresses the key areas where the Committee should be held to account. The Chair attends Council to present the report and take questions.</p> <p>The format and content of the Annual Report will be updated as necessary in relation to the revised CIPFA guidance on Audit Committees.</p>
Functions of the committee					

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	✓			The ToR are based on the latest guidance from CIPFA - Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition) and explicitly address all of the core areas identified in CIPFA's Position Statement. This will be subject to review when the latest version of the CIPFA guidance is released.
	good governance				
	assurance framework				
	internal audit				
	external audit				
	financial reporting				
	risk management				
	value for money or best value				
	counter-fraud and corruption.				
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			A self- assessment of the Committee is undertaken every year and forms part of the AGS process. The Committee's Annual Report compares the work carried out by the Committee during the year with its ToR. The work programme presented to every meeting identifies which part of the terms of reference specific reports address.
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake	✓			Considered as part of the review of the Committees ToR in 2014 and evidenced by the Committee having responsibility for reviewing:

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	them?				<ul style="list-style-type: none"> • ethical standards issues • the effectiveness of the Council's whistleblowing arrangements • and monitoring the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			<p>See Actions below relating to:</p> <ul style="list-style-type: none"> ▪ Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements ▪ Supporting the development of robust arrangements for ensuring value for money.
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Committee's decision making powers are all in line with its core purpose. E.g. approval of Financial Statements, approval of AGS, approval of the Whistleblowing Policy.
Membership and support					
12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. 		✓		<p>The Committee is separate from the executive and is of a size that is not unwieldy.</p> <p>The Chairman and Vice Chairman of the Audit and Governance Committee are selected by the political group to which Full Council has allocated those offices.</p> <p>Re: appropriate mix of knowledge and skills among the membership, see 15 below.</p>

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					An independent member has been appointed to the Committee with the March 2017 meeting being the first one attended.
13	Does the chair of the committee have appropriate knowledge and skills?	✓			The chair has attended CIPFA events to supplement his knowledge and skills.
14	Are arrangements in place to support the committee with briefings and training?	✓			Induction training is provided to new members and substitute members of the Committee prior to their attendance at meetings. During 2017/18 events were held in March 2017, May 2017 and in July 2017. Further training is planned after the 2019 elections.
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	✓			<p>Moved from Partly to Yes</p> <p>An assessment of the current Committee's knowledge and skills was carried out during in January 2018 following changes to the membership of the Committee.</p> <p>This will be used to develop a programme of support, which will include regular briefings, updates and formal training sessions.</p>
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			<p>External Audit attend all Committee meetings.</p> <p>Internal Audit, Section 151 Officer, Deputy Section 151 Officer, and the Monitoring Officer attend all Committee meetings.</p> <p>In line with the Action from a previous self-assessment, the Chair and Vice Chair have the opportunity to meet with External Audit</p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					separately should they wish to do so. The Committee will need to develop their relationship with the next provider of External Audit over the course of the transition between 2018/19 and 2019/20.
17	Is adequate secretariat and administrative support to the committee provided?	✓			Democratic Services and Internal Audit provide secretariat and administrative support to the Committee.
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			Moved from Partly to Yes The Annual Report of the Committee is presented to full Council, which gives the opportunity for feedback on performance, questions were taken from full Council. Any member is able to attend the Committee and raise questions of the Committee.
19	Has the committee evaluated whether and how it is adding value to the organisation?		✓		The Annual Report of the Committee is presented to full Council and addresses the key areas where the Committee should be held to account. This includes what impact the Committee has had on the improvement of governance, risk and control within the Council. This self-assessment also evaluates where the Council is adding value – see points 6 and 18. IMPROVEMENT ACTION: <i>The Audit and Governance Committee should schedule a session</i>

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					<i>to consider how it can evaluate and demonstrate the value it adds to the Council. Feedback from this will inform the self-assessment as necessary.</i>
20	Does the committee have an action plan to improve any areas of weakness?		✓		<p>Each self-assessment of the Audit and Governance Committee has been supported by an action plan identifying areas for improvement.</p> <p>Any actions are regularly reviewed at meetings.</p> <p>IMPROVEMENT ACTION: <i>The self-assessment action plan will become a standing agenda item in meetings between the Chair, Vice Chair and the Section 151 Officer to ensure progress is made against the plan. Progress against the Action Plan will be reported to the Audit and Governance Committee.</i></p>

Section 2 – Areas where the Audit and Governance Committee can add value by supporting improvements					
Assessment key					
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.				
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.				
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.				
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.				
1	No evidence can be found that the audit committee has supported improvements in this area.				
Ref	Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above	Comments/Actions for Improvement
A	Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Providing robust review of the AGS and the assurances underpinning it. Working with key members/governors to improve their understanding of the AGS and their contribution to it. Supporting 	<ul style="list-style-type: none"> The AGS and supporting evidence is provided to the Committee and a training session held for Members in June 2017. Draft AGS is brought to the Committee in June ahead of the final version in September. Pro-active in requesting reports e.g. Readiness for General Data Protection Regulations 	4	ACTION: <i>Consider how the Committee can work with other Members to improve their understanding of the Code of Corporate Governance and the Annual Governance Statement and their contribution to it. This could include raising awareness through Cabinet and Scrutiny, for example.</i>

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		<p>reviews/audits of governance arrangements.</p> <ul style="list-style-type: none"> Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Governance arrangements with respect to partnerships are considered as part of the AGS review and approval process. 		
B	Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls 	<ul style="list-style-type: none"> Audit and Governance Committee receives regular reports on the quantity and reasons for “Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules. The Committee continues to monitor the implementation of actions raised by the External 	5	

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		with appropriate senior managers.	<p>Auditors and the AGS Action Plan.</p> <ul style="list-style-type: none"> Internal Audit Interim and Annual reports include information relating to implementation of audit actions and provide details of all limited or no assurance reports issued. Audit and Governance Committee can request Senior Managers to attend meetings where there have been concerns raised over the implementation of agreed recommendations, although this has not been required in practice as yet. 		
C	Supporting the establishment of arrangements for the governance of risk	<ul style="list-style-type: none"> Reviewing risk management arrangements and their effectiveness, e.g. risk 	<ul style="list-style-type: none"> Regular risk management reports received at Committee, reviewing strategic (Corporate) risks. Also: regular reports on 	4	The Chair and Vice Chair will continue to invite Corporate Risk owners to the Committee to present on the management of

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	and for effective arrangements to manage risks.	<p>management benchmarking.</p> <ul style="list-style-type: none"> Monitoring improvements. Holding risk owners to account for major/strategic risks. 	<p>specific strategic (Corporate) risks and mitigating controls from risk owners.</p> <ul style="list-style-type: none"> Monitoring the risk maturity assessment and associated action plans and development work. 		this level of risk.
D	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit. 	<ul style="list-style-type: none"> The Committee is proactive in requesting work and reports to ensure it receives assurances from across the Council. It receives the assurance framework for the AGS on an annual basis. The Work Plan presented to Committee demonstrates how the assurance reports enable the Committee to meet its terms of reference. The results of the review of the effectiveness of internal audit 	5	No further action.

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			are reported to this Committee for consideration as part of the AGS process.		
E	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<ul style="list-style-type: none"> ▪ Reviewing the audit charter and functional reporting arrangements. ▪ Assessing the effectiveness of internal audit arrangements and supporting improvements. 	<ul style="list-style-type: none"> ▪ The Committee reviewed the audit charter and functional reporting arrangements in December 2017 ▪ Internal Audit produces interim reports and an annual report, featuring their performance indicators. 	4	The Committee require assurance around the level of resource and structure in Internal Audit.
F	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> ▪ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. ▪ Reviewing the effectiveness of 	<ul style="list-style-type: none"> ▪ Responsibility for undertaking high level project/programme monitoring rests with the Executive Monitoring Board (EMB). ▪ The Committee receives update reports on the work of Internal Audit including key findings, issues of concern, and action in 	4	ACTION: A further presentation on Performance Management and Project Management arrangements will be included in the Committee Work Plan.

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		performance management arrangements.	response to the findings and recommendations. The reports include relevant information regarding Internal Audit reviews of projects and programmes.		
G	Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS. 	<ul style="list-style-type: none"> The Committee's Terms of Reference include explicit reference to its role in reviewing and scrutinising value for money arrangements. Annually the Committee considers the external audit conclusion on value for money. In December 2017 Grant Thornton confirmed that the Council had proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for weaknesses in arrangements for 	4	

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			<p>acting in the public interest which had been identified during the year by the Council's Internal Audit Service; as a result they had qualified their value for money conclusion. However, due to ongoing investigations and a formal objection to the accounts, the certificate was not issued¹.</p> <ul style="list-style-type: none"> ▪ Audit and Governance Committee receives regular reports on the quantity and reasons for "Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules. 		
H	Helping the authority to implement the	<ul style="list-style-type: none"> ▪ Reviewing arrangements against 	<ul style="list-style-type: none"> ▪ The Committee receives the Informing the Risk Assessment 	4	The proposed structure for internal audit will include

¹ Grant Thornton UK LLP, Annual Audit Letter 2016-17.

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	values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2).</p> <ul style="list-style-type: none"> Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<p>for Cheshire East report that includes assurance with regard to management processes in place to prevent and detect fraud and to ensure compliance with law and regulation.</p> <ul style="list-style-type: none"> There is an annual report to the Committee on the effectiveness of the Whistleblowing Policy. Regular updates on anti- fraud arrangements. 		increased counter fraud resource.
I	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and	<ul style="list-style-type: none"> Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. 	<ul style="list-style-type: none"> The Committee reviews and approves a number of public facing documents e.g. Financial Statements, AGS, Annual Report, and the Internal Audit Charter. As part of producing these documents, they are 	5	No further actions proposed.

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	accountability.	<ul style="list-style-type: none"> Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. 	<ul style="list-style-type: none"> regularly reviewed against best practice and any required improvements are made to improve transparency and accountability. The Committee receives regular reports on the Council's performance in relation to its obligations under the Data Protection Act (1998), the Freedom of Information (2000) including the Environmental Information Regulations The Committee received a presentation in March 2018 on the upcoming GDPR and the Council's preparedness for the implementation of the new regulations. 		