

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
<b>Audit committee purpose and governance</b>					
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.
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>  <i>The purpose of an audit committee is to provide to those</i>		✓		Council approved new Terms of Reference (ToR) in May 2014 following reference to and recommendation from the Constitution Committee.  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.  A discussion on the Committee’s ToR is on the agenda for the June 2016 Audit and Governance Committee.

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	<i>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>				
4	Is the role and purpose of the audit committee understood and accepted across the authority?		✓		<p><b>Moved from Yes to Partly</b></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><b>IMPROVEMENT ACTION:</b>  <i>Training and awareness on the purpose and function of the Audit and Governance Committee to be included on the forthcoming Member Development Programme, for the benefit of all Members. Other ways of raising awareness of the Committee and its purpose to be discussed with the Senior Member Development Officer.</i></p>
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</p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					of governance, risk and control within the Council.  Delegated governance responsibilities include approving the Council's Annual Governance Statement (AGS).
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			The Audit and Governance Committee's ToR, approved in May 2014, include accountability arrangements.  The Annual Report of the Committee is 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.
<b>Functions of the committee</b>					
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.
	good governance				
	assurance framework				
	internal audit				
	external audit				
	financial reporting				

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	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.
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 them?	✓			Considered as part of the review of the Committees ToR in 2014 and evidenced by the Committee having responsibility for reviewing: <ul style="list-style-type: none"> <li>• ethical standards issues</li> <li>• the effectiveness of the Council’s whistleblowing arrangements</li> <li>• and monitoring the Council’s treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.</li> </ul>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	✓			See Actions below relating to: <ul style="list-style-type: none"> <li>▪ Aiding the achievement of the authority’s goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements</li> <li>▪ Supporting the development of robust arrangements for ensuring value for money.</li> </ul>
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.

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
<b>Membership and support</b>					
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"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• where independent members are used, that they have been appointed using an appropriate process.</li> </ul>		✓		<p><b><i>Moved from Yes to Partly</i></b></p> <p>The Committee is separate from the executive and is of a size that is not unwieldy. No independent members are used.</p> <p>The Chair and Vice Chair of the Committee are selected by the Leader of the Council, and confirmed by the vote of full Council.</p> <p>Re: appropriate mix of knowledge and skills among the membership, see 15 below.</p> <p>A report on the use of an independent member is being brought to the Committee in June 2016.</p>
13	Does the chair of the committee have appropriate knowledge and skills?	✓			<b><i>Moved from Partly to Yes</i></b>
14	Are arrangements in place to support the committee with briefings and training?		✓		<p><b><i>Moved from Partly to Yes</i></b></p> <p>Training sessions have been held in line with the previous Training Schedule. See also Action from (15).</p> <p>The Committee is supported by Member/Officer groups which meet 4-5 times per year. The Groups are designed to increase knowledge and expertise, and cover areas within the Committee’s Terms of Reference, including; Audit, Financial</p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					Statements, Counter Fraud, Corporate Governance, Risk Management and a Standards Working Group.
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?				<p><b>Moved from Partly to No</b></p> <p>There has been no assessment of the current Committee’s knowledge and skills.</p> <p><b>IMPROVEMENT ACTION:</b></p> <p>✓ <i>An assessment of the Committee Member’s knowledge and skills will be carried out against the core framework. This will be used to develop a programme of support, which will include regular briefings, updates and formal training sessions. This will be started in June 2016 with a view to being discussed with the Chair, Vice Chair and Member/Officer Sub Groups ahead of the September 2016 committee meeting.</i></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>The Head of Internal Audit, the Chief Operating Officer (Section 151 Officer), the Head of Corporate Resources &amp; Stewardship (Deputy Section 151 Officer), and the Head of Legal Services (Monitoring Officer) attend all Committee meetings.</p> <p>In line with the Action from the last self-assessment, the Chair and Vice Chair have met with External Audit separately.</p>
17	Is adequate secretariat and administrative support to the	✓			Democratic Services provide secretariat and administrative

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
	committee provided?				support to the Committee.
<b>Effectiveness of the committee</b>					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓		<p>The Annual Report of the Committee is presented to full Council, which gives the opportunity for feedback on performance.</p> <p><b>IMPROVEMENT ACTION:</b>  <i>The Chair will solicit feedback from Members about their work on the Member/Officer Sub Groups in order to inform the wider Committee, and ask visiting attendees for feedback and suggestions.</i></p>
19	Has the committee evaluated whether and how it is adding value to the organisation?		✓		<p><b>Moved from Yes to Partly</b></p> <p>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.</p> <p>This self-assessment also evaluates where the Council is adding value – see points 6 and 18.</p> <p><b>IMPROVEMENT ACTION:</b>  <i>The Audit and Governance Committee will consider how it can evaluate and demonstrate the value it adds to the Council as an item in the training session held prior to the June 2016 Committee. Feedback from this will inform the self-assessment</i></p>

Good practice questions		Yes	Partly	No	Comments/Actions for Improvement
					<i>as necessary.</i>
20	Does the committee have an action plan to improve any areas of weakness?		✓		<p><b>Moved from Yes to Partly</b></p> <p>Each self-assessment of the Audit and Governance Committee has been supported by an action plan identifying areas for improvement.</p> <p><b>IMPROVEMENT ACTION:</b>  <i>The self-assessment action plan will become a standing agenda item in meetings between the Chair, Vice Chair and the Head of Internal Audit 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"> <li>▪ Providing robust review of the AGS and the assurances underpinning it.</li> <li>▪ Working with key members/governors to improve their understanding of the AGS and their contribution to it.</li> <li>▪ Supporting</li> </ul>	<ul style="list-style-type: none"> <li>▪ The AGS and supporting evidence is provided to the Committee and training session held for Members. Draft AGS is brought to the Committee in June ahead of the final version in September.</li> <li>▪ Pro-active in requesting reports e.g. Governance Arrangements for Alternative Service Delivery Vehicles.</li> </ul>	4	<p><b>ACTION:</b></p> <p><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, and will also need to address the requirement to update the Code of Corporate Governance</i></p>

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		<p>reviews/audits of governance arrangements.</p> <ul style="list-style-type: none"> <li>▪ Participating in self-assessments of governance arrangements.</li> <li>▪ Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Member/Officer Group on governance.</li> <li>▪ Governance arrangements with respect to partnerships are considered as part of the AGS review and approval process.</li> </ul>		<p><i>following the updated CIPFA guidance.</i></p>
B	<p>Contributing to the development of an effective control environment.</p>	<ul style="list-style-type: none"> <li>▪ Monitoring the implementation of recommendations from auditors.</li> <li>▪ Encouraging ownership of the internal control framework by appropriate managers.</li> <li>▪ Raising significant concerns over controls</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit and Governance Committee has received a report on the quantity and reasons for “Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules. (March 16 Committee)</li> <li>▪ “Cardiff Checks” have been carried out as part of the</li> </ul>	5	<p>The Chair, Vice Chair and Internal Audit Management Team will look at the practicalities of bringing further detail to the Committee on high level agreed actions, which are beyond their implementation date.</p>

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		with appropriate senior managers.	<p>Counter Fraud Member/Officer Group work programme, the results of which have been reported back to the main Committee, giving assurance over the operation of controls in place.</p> <ul style="list-style-type: none"> <li>▪ The Committee continues to monitor the implementation of actions raised by the External Auditors and the AGS Action Plan.</li> <li>▪ 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.</li> </ul>		

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C	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> <li>▪ Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</li> <li>▪ Monitoring improvements.</li> <li>▪ Holding risk owners to account for major/strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regular risk management reports received at Committee, reviewing strategic (Corporate) risks. Also: regular reports on specific strategic (Corporate) risks and mitigating controls from risk owners.</li> <li>▪ Monitoring the risk maturity assessment and associated action plans and development work.</li> <li>▪ Member/Officer Group on Risk Management.</li> </ul>	4	<p>The Chair, Vice Chair and Internal Audit Management Team will look at the practicalities of bringing further detail to the Committee on high level agreed actions, which are beyond their implementation date.</p> <p>The Chair and Vice Chair will also give consideration to inviting Corporate Risk owners to the Committee to present on the management of this level of risk.</p>
D	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> <li>▪ Specifying its assurance needs, identifying gaps or overlaps in assurance.</li> <li>▪ Seeking to streamline assurance gathering and reporting.</li> <li>▪ Reviewing the effectiveness of</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Committee is proactive in requesting work and reports to ensure it receives assurances from across the Council.</li> <li>▪ It receives the assurance framework for the AGS on an annual basis.</li> <li>▪ The Work Plan presented to Committee demonstrates how</li> </ul>	4	No further actions proposed.

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		<p>assurance providers, e.g. internal audit, risk management, external audit.</p>	<p>the assurance reports enable the Committee to meet its terms of reference.</p> <ul style="list-style-type: none"> <li>▪ The results of the review of the effectiveness of internal audit are reported to this Committee for consideration as part of the AGS process.</li> </ul>		
E	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<ul style="list-style-type: none"> <li>▪ Reviewing the audit charter and functional reporting arrangements.</li> <li>▪ Assessing the effectiveness of internal audit arrangements and supporting improvements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Committee reviews the audit charter and functional reporting arrangements.</li> <li>▪ Internal Audit produces interim reports and an annual report, featuring their performance indicators.</li> <li>▪ Member/Group on Audit &amp; Accounts.</li> </ul>	4	<p>The Chair, Vice Chair and Internal Audit Management Team will look at the practicalities of bringing further detail to the Committee on high level agreed actions, which are beyond their implementation date.</p> <p>The Internal Audit Charter will be reviewed following recent updates to the Public Sector Internal Audit Standards, updated as necessary and brought to Committee for approval.</p>

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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"> <li>▪ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>▪ Reviewing the effectiveness of performance management arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Responsibility for undertaking high level project/programme monitoring rests with the Executive Monitoring Board (EMB).</li> <li>▪ The Committee receives update reports on the work of Internal Audit including key findings, issues of concern, and action in response to the findings and recommendations. The reports include relevant information regarding Internal Audit reviews of projects and programmes.</li> <li>▪ The Committee received a presentation on the Council’s Performance Management arrangements at the March 2016 meeting.</li> </ul>	4	No further actions proposed.
G	Supporting the	<ul style="list-style-type: none"> <li>▪ Ensuring that</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Committee’s Terms of</li> </ul>	4	

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
	development of robust arrangements for ensuring value for money.	assurance on value for money arrangements is included in the assurances received by the audit committee. <ul style="list-style-type: none"> <li>▪ Considering how performance in value for money is evaluated as part of the AGS.</li> </ul>	Reference include explicit reference to its role in reviewing and scrutinising value for money arrangements. <ul style="list-style-type: none"> <li>▪ Annually the Committee considers the external audit conclusion on value for money. In September 2015 Grant Thornton confirmed that they would be issuing an unqualified VfM conclusion<sup>1</sup>.</li> <li>▪ Audit and Governance Committee has received a report on the quantity and reasons for “Waivers and Non Adherences (WARNS) to monitor compliance with Procurement rules. (March 16 Committee)</li> </ul>		

<sup>1</sup> Grant Thornton UK LLP, Audit Findings Report, 24<sup>th</sup> September 2015.

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			<ul style="list-style-type: none"> <li>▪ “Cardiff Checks” have been carried out as part of the Counter Fraud Member/Officer Group work programme, the results of which have been reported back to the main Committee.</li> </ul>		
H	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> <li>▪ Reviewing arrangements against the standards set out in CIPFA’s <i>Managing the Risk of Fraud</i> (Red Book 2).</li> <li>▪ Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks.</li> <li>▪ Assessing the effectiveness of ethical governance arrangements for both</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Committee receives the Informing the Risk Assessment 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.</li> <li>▪ There is an annual report to the Committee on the effectiveness of the Whistleblowing Policy.</li> <li>▪ Regular updates on anti- fraud arrangements.</li> <li>▪ Member/Officer Group on Fraud.</li> </ul>	4	No further actions proposed



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		staff and governors.			
I	Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> <li>▪ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</li> <li>▪ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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 regularly reviewed against best practice and any required improvements are made to improve transparency and accountability.</li> <li>▪ The Committee received a report 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 in</li> </ul>	4	No further actions proposed.

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			<p>March 2015. This included reference to the Council’s Transparency Project and forthcoming changes to the Data Protection regulations.</p> <ul style="list-style-type: none"> <li>▪ A report on the Council’s compliance with the Regulation of Investigatory Powers Act (RIPA) (2000) was also taken to the March 2015 Committee.</li> </ul>		