

Cheshire East Council

Audit and Governance Committee

Date of Meeting: 30th June 2016

Report of: Director of Legal Services

Subject: Audit and Governance Committee Terms of Reference

1. Report Summary

1.1 This report will enable the Committee to give consideration to its terms of reference and to determine whether any changes might be desirable.

2. Recommendation

2.1. That the Committee considers its current terms of reference and whether any changes would be desirable.

2.2. That, if changes should be made to the terms of reference, a report be brought back to the Committee's meeting in September which will enable an appropriate recommendation to be made to the Constitution Committee and Council.

3. Background

3.1. The Chairman and Vice Chairman of the Committee have asked that the Committee give consideration to whether or not any amendments should be made to its terms of reference.

3.2. The Committee's current terms of reference are appended to this report.

3.3. Committee's initial thoughts are invited upon whether or not any changes should be made to the terms of reference in order for a fully considered report to be brought back to the Committee's September meeting.

4. Wards Affected and Local Ward Members

4.1. All of the Borough's wards are indirectly affected.

5. Implications of Recommendation

5.1. **Policy Implications**

5.1.1. Any changes to the Committee's terms of reference will determine the Committee's powers and will influence its work until such time as they are amended.

5.2. Legal Implications

5.2.1. It is important for any proposed changes to be subject to legal consideration and, for that reason, it is recommended that the Committee's initial views are sought. Any proposals for change can then be properly drafted and brought back to the Committee to approve.

5.2.2. All committee terms of reference are embodied in the Council's Constitution, and any changes to them must be approved by Council following a recommendation of the Constitution Committee.

5.3. Financial Implications

5.3.1. No direct financial implications arise from the recommendations in this report. However, consideration will need to be given as to whether any emerging proposals for changes to the terms of reference have such implications.

5.4. Human Resources Implications

5.4.1. As per 5.3.1

5.5. Equality Implications

5.5.1. As per 5.3.1

5.6. Rural Community Implications

5.6.1. As per 5.3.1

5.7. Public Health Implications

5.7.1. As per 5.3.1

6. Risk Management

6.1. Until such time as any proposals for changes to the terms of reference emerge, associated risks cannot be assessed.

7. Background Papers

7.1. The Council's Constitution.

8. Contact Information

Contact details for this report are as follows:-

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AUDIT AND GOVERNANCE COMMITTEE

11 Members

The Audit and Governance Committee, as with all of the Council's Committees, must be politically balanced. However, the success of the Audit and Governance Committee depends upon its ability to remain apolitical. It must adopt a non-political approach to its meetings and discussions at all times. Remaining apolitical also places a duty on members not to make inappropriate use of information provided to the Committee for other purposes.

The Committee is composed of 11 Members, comprising 10 members of the Council and one independent voting member (a member who is not a Councillor) with the Chairman and Vice-Chairman being appointed at full Council. The co-option of an independent member is intended to bring additional knowledge and expertise to the Committee and reinforce its political neutrality and independence. To ensure that the Committee remains focussed on its assurance role, all members of the Committee, and any designated substitute, must be appropriately trained.

Statement of Purpose

1 The Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

2 It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.

3 It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.

4 It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

5 It promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

Functions

Governance, Risk and Control

6 To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

7 To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into

account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

8 To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.

9 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

10 To monitor the effective development and operation of risk management in the council.

11 To monitor progress in addressing risk related issues reported to the committee.

12 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.

13 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

14 To make recommendations to the Executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.

15 To monitor the counter fraud strategy, actions and resources.

16 To advise the Executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.

17 To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Internal audit

18 To approve the internal audit charter.

19 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

20 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

21 To approve significant interim changes to the risk-based internal audit plan and resource requirements.

22 To make appropriate enquiries of both management and the head of internal

23 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.

b) Regular reports on the results of the Quality Assurance and Improvement Programme.

c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

24 To consider the head of internal audit's annual report:

a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.

b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

25 To consider summaries of specific internal audit reports as requested.

26 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

27 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

28 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

29 To support the development of effective communication with the head of internal audit.

30 To review and make recommendations to the Executive regarding the effectiveness of internal audit to include ensuring the internal audit function is

adequately resourced, to review its strategy, receive, challenge and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.

External Audit

31 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

32 To consider specific reports as agreed with the external auditor.

33 To comment on the scope and depth of external audit work and to ensure it gives value for money.

34 To commission work from internal and external audit.

35 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

36 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

37 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

38 To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

Related functions

39 To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

40 To approve and monitor Council policies relating to "whistleblowing" and anti fraud and corruption.

41 To seek assurance that customer complaint arrangements are robust.

Standards Arrangements

42 The Committee is responsible for the Council's standards arrangements which seek to:

1. promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity);

2. ensure that Members receive advice and as appropriate on the Members Code of Conduct; and

3. grant dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority.

43 Council on 22nd October 2015 approved a procedure to be followed when considering a complaint that an elected member of the Council or of a town or parish council within its area has failed to comply with the Council's Code of Conduct. The full procedure is available from the Monitoring Officer.

Hearing Sub-Committee

44 The Hearing Sub-committee is a Sub-Committee of the Council's Audit and Governance Committee appointed to consider complaints under the procedure referred to in paragraph 43. It has 3 members drawn from a cross party panel of 15 members of the Council. An Independent Person is invited to attend all meetings of the Hearing Sub-committee and his/her views are sought and taken into consideration before the Hearing Sub-committee takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

45 The Independent Person is a person who has applied for the post following advertisement. He/she is appointed by Council.