

Appendix D

Draft Terms of Reference for Audit Committee

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

Current terms as follows but under review by the Council's MO.

1. To 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. Ensuring that Members receive advice and as appropriate on the Members Code of Conduct
3. Granting 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

The Committee has appointed three ad-hoc sub-committees/panels as follows:

Initial Assessment Panel

3 Members plus Independent Person. The panel is responsible for:

- Receiving and determining whether to refer for investigation or other appropriate action, any written complaints regarding alleged mis-conduct and breach of the Code of Conduct by any Borough Councillor or Town or Parish Councillor within Cheshire East.

Local Resolution Panel

3 Members plus Independent Person. The panel is responsible for:

- The hearing and determination of complaints referred to it by the Initial Assessment Panel that there has been a breach of the Code of Conduct by any Borough Councillor or any Town or Parish Councillor within Cheshire East. The panel will act in consultation with the Independent Person.
- Matters may be referred for external investigation should the panel consider it appropriate due to the complexity of the matter or if serious issues emerge.

Hearing Sub-Committee

3 Members plus Independent Person. The sub-committee is responsible for:

- Consideration of the written report of the external investigator in relation to a complaint that a Borough Councillor or Town or Parish Council Member has broken the Code of Conduct and the determination of any appropriate action in consultation with the Independent Person. NB sanctions for Parish Councillors will be referred to the Parish Council.

The memberships of the panels and sub-committee are drawn from a pool of 15 members constituted on a politically proportionate basis, which includes the members of the Audit and Governance Committee.

An Independent Person appointed by Council will be present at any Panel meetings or a meeting of the hearing Sub Committee