

## **Appendix 1**

### **Proposed Terms of Reference for Audit Committee**

#### **Statement of Purpose**

- 1 Our Audit Sub-committee is a key component of Hackney'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 The purpose of the Audit Sub-committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Hackney's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

#### **Governance, Risk and Control**

- 3 To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 4 To review the Annual Governance Statement prior to approval 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.
- 5 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 6 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 7 To consider the Annual Risk Management Report and Strategy.
- 8 To monitor the effective development and operation of risk management in the Council.
- 9 To monitor progress in addressing risk related issues reported to the sub-committee.
- 10 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 11 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

#### **Internal audit**

- 11 To approve the Internal Audit Charter and Strategy.
- 12 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 13 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.

- 14 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 15 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 16 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 performance results.
  - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 17 To consider the Head of Internal Audit's annual report:
  - a) The statement of the level of conformance with the PSIAS 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.
- 18 To consider summaries of specific internal audit reports as requested.
- 19 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.
- 20 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.
- 21 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.
- 22 To support the development of effective communication with the Head of Internal Audit.

### **Anti-Fraud & Corruption**

- 23 To monitor the anti-fraud and corruption strategy, actions and resources.
- 24 To monitor the Council's policies on whistleblowing in respect of the anti-fraud and corruption policy.
- 25 To monitor the use of Regulatory of Investigatory Powers Act (RIPA) powers across the Council and review the corporate policy and guidance.
- 26 To consider reports from the Office of the Surveillance Commissioner.

### **External Audit**

- 27 To consider the external auditor's annual report to those charged with governance in respect of the annual audit of accounts.
- 28 To consider other specific reports as agreed with the external auditor.
- 29 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 30 To commission work from internal and external audit.
- 31 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **Treasury Management**

- 32 To maintain an overview on the Council's investment and borrowing arrangements including consideration of the annual Treasury Management Strategy prior to its approval by Council as part of the annual budget setting process.
- 33 To consider regular reports on the Council's investment and borrowing arrangements in line with the CIPFA Code of Practice on Treasury Management.

### **Financial Accounts**

- 34 To review and adopt 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.
- 35 To approve the Annual Governance Statement included within the annual Statement of Accounts, ensuring that any areas highlighted within the statement for action are addressed appropriately.

### **Accountability Arrangements**

- 35 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.
- 36 To report to Corporate Committee 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.