

## Report to: Finance Committee

**Report Ref:** F1901  
**Meeting Date:** 24<sup>th</sup> June 2019  
**Agenda Item:** 8  
**Prepared By:** Town Clerk



**Subject:** Internal Audit WG Terms of Reference

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### 1.0 INTRODUCTION

The terms of reference for the Internal Audit working group are set out in the council's Financial Regulations. The working group is a means of the council demonstrating it has appropriate internal financial controls as required for the formal audit process. The working group undertakes quarterly reviews of the council's financial transactions as per its terms of reference (appended).

### 2.0 PROPOSED CHANGES

The following changes have been suggested by members.

#### 2.1 CHANGE TO MEMBERSHIP

The terms of reference currently restrict membership of the working group to members of the Finance Committee. The proposed change is to amend the terms of reference to state:

The 'Internal Audit Working Group' shall consist of three members

#### 2.2 EXPAND SCOPE TO INCLUDE COMPLAINTS (ALL THREE TYPES)

The council's Complaints Policy sets out three types of complaint:

- a) Complaints about members
- b) Complaints about staff
- c) Complaints about decisions / council activity

The proposed change to the terms of reference would give the working group the remit to review the progress/outcome of complaints made in the period, by adding "Complaints received during the period" to point 6 in its terms of reference.

It should be noted that:

- a) Complaints about members are referred to Cheshire East Council as code of conduct complaints. The town council has no role in considering these complaints or determining sanctions.



- b) Complaints about staff are dealt with in accordance with the council's Discipline, Grievance and Competency Policy. A reporting system has been introduced for the Personnel Committee to have additional oversight of complaints received and the outcome of the same.
- c) Complaints about the council are considered by the Town Clerk, Town Mayor and relevant committee Chairman. If complaints cannot be resolved they are referred to the relevant committee.

It is considered that there would be nothing for the working group to review in respect of code of conduct complaints and that there is already sufficient committee oversight of other complaints.

### **3.0 DECISIONS REQUIRED**

The committee should consider the proposed amendments to the terms of reference of the Internal Audit working group.



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## Internal Audit Working Group Terms of Reference

1. The 'Internal Audit Working Group' membership shall be determined by resolution of the Finance Committee at the first meeting in the new mayoral year with casual vacancies filled during the year as they arise by further resolution.
2. The 'Internal Audit Working Group' shall consist of three members of the Finance Committee.
3. The quorum for the 'Internal Audit Working Group' will be two members (note 4 below).
4. The Internal Audit Working Group does not have delegated powers to make decisions on behalf of the Finance Committee or the Town Council.
5. The 'Internal Audit Working Group' shall produce a quarterly report to the Finance Committee at its next meeting to include its findings from the audit and recommendations for improvements to the financial stewardship. It is acceptable for the Q4 audit to be delayed due to the external audit process.
6. In carrying out the quarterly audit the working group should make reference to
  - 10% of debit entries
  - 10% of credit entries
  - Full paper trails for the above
  - Evidence of compliance with Financial Regulations in all of the above.
  - Outstanding debts owed to the council
  - Evidence of debit entries being sanctioned.
  - Bank statements agreeing with the closing balance on the financial report (bank reconciliation report).
  - An annual review of the certified asset register and a quarterly review of payment schedules to ensure that any assets purchased within the period are included on the register.
  - Reporting on actions taken on the points raised by the previous report
  - Accounting and financial record keeping where appropriate
  - 1 in 20 checks of completed BACS payments to compare the payment details with the account details on invoices.
7. The members of 'Internal Audit Working Group' should report any serious matters e.g. suspected maladministration or misappropriation of funds immediately to the Chairman of the Finance Committee who should, in turn, bring the matter to the attention of the Town Mayor.
8. The Terms of Reference for the 'Internal Audit Group' shall be reviewed annually at the first meeting of the Finance Committee in the new mayoral year.
9. The Internal Audit Working Group shall report its findings to the Responsible Financial Officer for remedial action as appropriate.



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