

Constitution Committee

Monday 9th June, 2014

Audit and Governance Committee's Terms of Reference

Report of the Monitoring Officer

1. Purpose of Report

The purpose of this report is to present to the Constitution Committee the proposed revised Audit and Governance Committee's Terms of Reference, which reflects the requirements of the new Public Sector Internal Audit Standards (PSIAS) 2013 and further clarity around the Committee's Governance role.

2. Recommendation

That the Committee approve the Terms of Reference as set out in Appendix 1.

3. Background

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit (England) Regulations 2011. The latter requires authorities to *"undertake an adequate and effective system of internal audit of its accounting records and of its system of internal control, (comprising risk management, control and governance), in accordance with the 'proper practices' in relation to internal control"*.

The guidance accompanying the Regulations has recently changed and currently recognises the Public Sector Internal Audit Standards (PSIAS) 2013, as representing "proper internal audit practices". These standards define the way in which the Internal Audit Service should be established and undertakes its functions, including the functional reporting requirements to the governance group charged with providing independent assurance on the adequacy of the control environment, comprising risk management, control and governance.

To ensure conformance with the new Standards, the Audit and Governance Committee's Terms of Reference have been amended, which were considered by the Audit and Governance Committee at their meeting on 11th April 2014 and are being recommended to this Committee, for formal approval.

4. Appendices

- Appendix 1 – Proposed Audit and Governance Committee’s Terms of Reference.

5. Background Documents

- Public Sector Internal Audit Standards (PSIAS) 2013;
- CIPFA Local Government Application Note (guidance for the UK Public Sector Internal Audit Standards);
- Gloucestershire County Council’s Internal Audit Charter. (The Charter formally defines Internal Audit’s statutory role, responsibility, status and authority within Gloucestershire County Council, which conforms to the PSIAS).

<p>Audit and Governance Committee</p> <p>9 County Councillors</p>	<p>(1) Advise on the adequacy and effectiveness of the Council's corporate governance arrangements and internal control environment.</p> <p>(2) Monitor the adequacy and effectiveness of the Council's governance arrangements including:</p> <ul style="list-style-type: none"> • Monitoring the effectiveness of the Chief Officer's responsibility for ensuring an adequate internal control environment; • Monitoring the arrangements for the identification, monitoring and control of strategic and operational risk within the Council; • Monitoring the adequacy and effectiveness of the arrangements in place for combating fraud and corruption; • Providing an annual report to the County Council that its systems of governance are operating effectively; • Reviewing and approving the annual Statement of Accounts and Annual Governance Statement; • The Chief Internal Auditor has the right of independent access to the Committee and its Chair; • Being responsible for the implementation and undertaking regular monitoring of the Council's treasury management policies and practices; • Formulating and keeping under review a Code of Conduct to promote high ethical standards amongst Officers and doing anything that is calculated to promote and maintain high standards of conduct by Officers; • Formulating and keeping under review the Council's 'whistle-blowing' policy; and • Formulating and keeping under review the Council's arrangements for handling complaints and investigations by the Local Government Ombudsman. <p>(3) To promote, maintain and assist the achievement of high standards of conduct by County Councillors and co-opted members in accordance with the Council's Code of Conduct for Members.</p> <ul style="list-style-type: none"> • To monitor the operation of the Code of Conduct for Members; • To advise the Council on any amendment or revision of the Code; • To secure adequate and appropriate training of County Councillors and co-opted Members on the Code of Conduct for Members;
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	<ul style="list-style-type: none"> • To give general guidance and advice to County Councillors on Members' interests and keep under review the Register of Members' Interests maintained by the Monitoring Officer; and • To give general guidance and advice to County Councillors and employees on gifts and hospitality. <p>(4) Monitor the adequacy and effectiveness of the Council's External Audit service and respond to its findings. Specifically:</p> <ul style="list-style-type: none"> • Considering the nature and scope of the External Audit of the Council's services and functions; • Receiving and considering External Audit Reports including the Annual Audit Letter and Governance Report; and • Monitoring management's response to the External Auditor's findings and the implementation of External Audit recommendations. <p>(5) Monitor the adequacy and effectiveness of the Internal Audit service. Specifically:</p> <ul style="list-style-type: none"> • Approving the internal audit charter; • Approving the annual risk based internal audit plan; • Receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion; • Receiving and considering major Internal Audit findings and recommendations; • Monitoring management's response to Internal Audit findings and the implementation of the recommendations; • Making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; • Agreeing the scope and form of the external assessment as part of the quality assurance and improvement plan; • Receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance with professional standards; and • Approving significant consulting services not already included in the audit plan, prior to acceptance of the engagement, if this materially impacts on core assurance activity.
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	<p>(6) To grant dispensations to County Councillors and co-opted Members related to interests specified in the Code of Conduct for Members following written requests to the proper officer (Chief Executive) by a Member or Co-opted Member under section 33 of the Localism Act 2011, when the Council:</p> <ul style="list-style-type: none"> • Considers that without the dispensation, the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business; • Considers that without the dispensation the representation of different political groups on the body transacting any particular business would be upset as to alter the likely outcome of any vote relating to the business; • Considers that granting the dispensation is in the interests of persons living in the authority's area; • Considers that without the dispensation each member of the authority's executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive, or • Considers that it is otherwise appropriate to grant a dispensation. <p>(7) To establish a Sub-Committee known as the Hearings Panel to hear allegations that Members have failed to comply with the Authority's Code of Conduct.</p> <ul style="list-style-type: none"> • To assess and review allegations of Member misconduct; and • To determine allegations of Member misconduct. <p>Note: the committee has the right to require the attendance of any Council officers or members in order to respond directly to any issue under consideration.</p>
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