

Meeting:	General Purposes Committee Council	Date:	18th October 2016 24th November 2016
Subject:	Update to the Audit and Governance Committee Terms of Reference		
Report Of:	Head of Audit Risk Assurance (Chief Internal Auditor)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1: Proposed Audit and Governance Committee Terms of Reference		
	2: Current Audit and Governance Committee Terms of Reference		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The purpose of this report is to present the proposed revised Audit and Governance Committee's Terms of Reference, which reflects the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police – 2013, the Public Sector Internal Audit Standards (PSIAS) 2016 and further clarity around the Committee's Governance role.
- 1.2 The Audit and Governance Committee is a key component of corporate governance. It provides a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.

2.0 Recommendations

- 2.1 **Audit and Governance Committee** is asked to **RECOMMEND** that, subject to any further amendments, the Terms of Reference as set out in Appendix 1 be approved.
- 2.2 **Constitution Working Group** is asked to **RECOMMEND** that, subject to any further amendments, the Terms of Reference as set out in Appendix 1 be approved.
- 2.3 **General Purposes Committee** is asked to **RECOMMEND to Council** that, subject to any further amendments, the Terms of Reference as set out in Appendix 1 be approved.
- 2.4 **Council** is asked to **RESOLVE** that the Terms of Reference as set out in Appendix 1 be approved.

3.0 Background and Key Issues

- 3.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter requires *a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.*

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.

- 3.2 To ensure conformance with the CIPFA Audit Committees good practice guidance and the PSIAS, the Audit and Governance Committee's Terms of Reference have been revised for consideration and approval.

4.0 Asset Based Community Development (ABCD) Considerations

- 4.1 There are no ABCD implications as a result of the recommendation made in this report.

5.0 Alternative Options Considered

- 5.1 No other options have been considered as there is a requirement to have an effective Committee to advise on the adequacy and effectiveness of the Council's corporate governance arrangements and internal control environment in accordance with relevant legislation, standards, codes of practice and Audit Committee good practice guidelines.

6.0 Reasons for Recommendations

- 6.1 To update the Audit and Governance Committee's Terms of Reference to ensure conformance with the PSIAS and CIPFA Audit Committees good practice guidance.

7.0 Future Work and Conclusions

- 7.1 In accordance with the requirements of the Constitution, the proposed Terms of reference will be reviewed and considered by the Audit and Governance Committee, Constitution Working Group and General Purposes Committee, prior to be presented to Council for formal approval.

8.0 Financial Implications

- 8.1 There are no financial implications arising out of this report.

(Financial Services have been consulted in the preparation this report).

9.0 Legal Implications

- 9.1 The new Terms of Reference are compliant in accordance with the legislation referred to, which seeks to define internal auditing, setting out a Code of Ethics and International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
- 9.2 The Council's Constitution will need to be amended to reflect the new Terms of Reference.

(One Legal have been consulted in the preparation this report).

10.0 Risk and Opportunity Management Implications

- 10.1 Failure to provide an effective Committee to advise on the adequacy and effectiveness of the Council's corporate governance arrangements and internal control environment will prevent an independent, objective assurance opinion from being provided to those charged with governance, that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

11.0 People Impact Assessment (PIA)

- 11.1 A requirement of the CIPFA Audit Committees good practice guidance and the PSIAS is for the Council to deliver an effective Committee to advise on the adequacy and effectiveness of the Council's corporate governance arrangements and internal control environment. The Audit and Governance Committee fulfils this requirement. Equality is demonstrated by the Committee being subject to, and complying with, the Council's equality policies.
- 11.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

- 12.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

Sustainability

- 12.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

Staffing & Trade Union

- 12.3 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

Background Documents:

- CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2013;

- Public Sector Internal Audit Standards (PSIAS) 2016;
- CIPFA Local Government Application Note (guidance for the UK Public Sector Internal Audit Standards); and
- Gloucester City Council's Internal Audit Charter. (The Charter formally defines Internal Audit's statutory role, responsibility, status and authority within Gloucester City Council, which conforms to the PSIAS).