

## Governance and Ethics Committee Proposed Terms of Reference

Purpose:	To consider the revised terms of reference of the Governance and Ethics Committee which take into account the CIPFA Best Practice Guidance and recommend to full Council that they be adopted.
Release Date:	<b>November 2020</b>
Author:	Moira Fraser (Democratic and Electoral Services Manager)

<b>1</b>	<b>Background</b>	
<p>During 2018 an external assessment was carried out of the effectiveness of West Berkshire Council's Internal Audit service, and the extent to which it conformed to Public Sector Internal Audit Standards. The resulting report included a suggestion that Internal Audit should consider undertaking a review of the remit and effectiveness of the Council's Governance and Ethics Committee, using the checklist from the CIPFA Audit Committees Practical Guidance for Local Authorities (2018). The internal audit plan for 2019/20 included a review of the effectiveness of the Audit Committee. The proposed changes set out in this document are designed to address the recommendations of the internal audit review in respect of refreshing its terms of reference.</p>		

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2	<b>Functions of the Governance and Ethics Committee/Statement of Purpose of the Governance and Ethics Committee</b>	<b>Frequency of Activity</b>
	<p>The Governance and Ethics Committee is a key component of West Berkshire Council's corporate governance structure. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.</p> <p>The purpose of our audit committee is to provide independent assurance to Members on the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council'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.</p> <p>In addition the Committee considers proposed changes to the Council's Constitution and makes recommendations to the Council in respect of any changes proposed.</p> <p>The Committee also promotes and maintains high standards of conduct throughout the Council and determines whether breaches of the relevant Code of Conduct have occurred. They promote, educate and support Councillors (both District and Parish) in following the highest standards of conduct and ensuring that those standards are fully owned locally.</p> <p>An Advisory Panel has been established to deal with any complaints received in respect of District or Parish Councillors' behaviour where a potential breach of the Code of Conduct has been identified The</p>	

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<p>Advisory Panel makes recommendations to the Governance and Ethics Committee.</p>	
<p><b>3</b></p>	<p><b>Terms of Reference (Items highlighted in blue text are from the current Terms of Reference)</b></p>
<p><i>Governance, risk and control</i></p> <ol style="list-style-type: none"> <li>1. To consider and make recommendations to the Council on proposed changes to the Constitution.</li> <li>2. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.</li> <li>3. To consider any governance issues emanating from Central Government and determine their effect on the Council's business and governance processes.</li> <li>4. To review and approve 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.</li> <li>5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.</li> <li>6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.</li> <li>7. To monitor the effective development and operation of risk management in the Council.</li> </ol>	<ol style="list-style-type: none"> <li>1. Adhoc, as and when changes are considered necessary.</li> <li>2. Suggestion – Every 3 years.</li> <li>3. Adhoc - If/when issues are identified by officers/members that need to be exported.</li> <li>4. Annually</li> <li>5. Annually - As part of the review of the Annual Accounts and the External Auditor's VFM opinion. Members could make adhoc requests for more information/reviews if there are areas of concern.</li> <li>6. Annually - As part of the review of the Statement of Corporate Governance/Annual Governance Statement/Audit Manager's Annual Report.</li> <li>7. Quarterly – As part of the updates provided by the Risk Manager.</li> </ol>

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<p>8. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.</p> <p>9. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.</p> <p>10. To monitor the Anti-fraud Plan, actions and resources.</p> <p>11. To review the governance and assurance arrangements for significant partnerships or collaborations.</p> <p>12. To have oversight <u>of the treasury management function by undertaking Council nominates (the Governance and Ethics Committee) to be responsible for ensuring</u> effective scrutiny of the treasury management strategy and policies.</p> <p><i>Internal Audit</i></p> <p>13. To approve the Internal Audit Strategy and Plan and the Internal Audit Charter annually.</p> <p><del>To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.</del>  <b>Currently not applicable, removed as no action required.</b></p> <p>14. 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.</p> <p>15. To approve significant interim changes to the risk-based internal audit plan and resource requirements.</p> <p>16. To make appropriate enquiries of both management and the Audit Manager to determine if there are any inappropriate scope or resource limitations.</p>	<p>8. Quarterly – Using information in the Audit Manager's update reports.</p> <p>9. Quarterly - As part of the Audit Manager's update report/The Risk Manager's report.</p> <p>10. Quarterly - As part of the Audit Manager's update report and the Audit Manager's Annual Report.</p> <p>11. Programme will need to be compiled, sources of suggested assurance will also need to be identified.</p> <p>12. Annually – Information required will need to be determined (see specific points 33 – 36 below).</p> <p>13. Annually</p> <p>14. Annually – As part of approving the Internal Audit Plan.</p> <p>15. Adhoc – If/when the need arises will be included in the Quarterly Audit Plan Update Report.</p> <p>16. Annually/Quarterly – as part of discussions on the Audit Plan update reports and the Audit Managers Annual report.</p>
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17. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Audit Manager. To approve and periodically review safeguards to limit such impairments.

18. To consider reports from the Audit Manager 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 (QAIP);
- (c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Advisory Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS).

19. To consider the Audit Manager's annual report:

- (a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support 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 AGS.

17. Annually – Checking the content of the Audit Managers Annual report, as any impairments/limitations should be stated for members to then question as appropriate.

18. Quarterly/Annually – Reviewing the content of the Audit Plan Update reports and Annual Report.

19. Annually – as part of the review of the content of the Audit Manager's Annual Report.

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<p>20. To consider summaries of specific internal audit reports as requested.</p> <p>21. To receive reports outlining the action taken where the Audit Manager 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.</p> <p>22. To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.</p> <p>23. To provide free and unfettered access by the Audit Manager to the Chairman and Vice Chairman of the Governance and Ethics Committee including the opportunity for a private meeting with the Committee.</p>	<p>20. Adhoc – if requests are made by the Committee for further information on any of the audit work undertaken.</p> <p>21. Adhoc – Any such occurrences will be stated in the Audit Manager’s quarterly update reports.</p> <p>22. Annually - As part of approving the Annual Audit Plan. Also every 5 years - As part of the external assessment of Internal Audit.</p> <p>23. Not a direct Action required by Committee members.</p>
<p><i>External Audit</i></p> <p>24. To support the independence of external audit through consideration of the external auditor’s annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).</p> <p>25. To consider the external auditor’s annual letter, relevant reports and the report to those charged with governance and to consider specific reports as agreed with the external auditor.</p> <p>26. To comment on the scope and depth of external audit work and to ensure it gives value for money.</p> <p>27. To commission work from internal and external audit.</p>	<p>24. Annually – From review of the External Auditor’s report.</p> <p>25. Annually – From review of the External Auditor’s Annual Letter/ supporting reports and any other reports brought to the Committee’s attention by the External Auditors.</p> <p>26. Annually – From review of the External Auditor’s report/review of fees.</p> <p>27. Adhoc – Where Committee consider specific pieces of work should be undertaken.</p>

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<p>28. To advise and recommend on the effectiveness of relationships between external and internal audit and other agencies, where appropriate, to ensure that these relationships are effective.</p>	<p>28. Adhoc – As and when Committee wish to query this area or have concerns.</p>
<p><i>Financial Reporting</i></p>	
<p>29. To 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.</p>	<p>29. Annually – As part of approving the Annual Accounts.</p>
<p>30. To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts.</p>	<p>30. Annually – From review of the External Auditor’s report.</p>
<p><i>Treasury Management</i></p>	
<p>31. To review the treasury management policy and procedures to be satisfied that controls are satisfactory.</p>	<p>31. When changes are required e.g. change of internal process and/or change of external good practice guidance.</p>
<p>32. Receive regular reports on activities, issues and trends to support the committee’s understanding of treasury management activities. (Note that the committee is not responsible for the regular monitoring of activity under clause 3 of the Treasury Management Code).</p>	<p>32. Quarterly</p>
<p>33. Review the Treasury risk profile and adequacy of treasury risk management processes.</p>	<p>33. Annually</p>
<p>34. Review assurances on treasury management (for example, an internal audit report, external audit or other review).</p>	<p>34. Adhoc - Depending when assurance reviews have been undertaken.</p>

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<p><i>Accountability Arrangements</i></p> <p>35. To report annually to Full Council on the Committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.</p> <p>36. To publish an annual report on the work of the Committee.</p> <p><i>Ethics Matters</i></p> <p>37. To promote and maintain high standards of conduct by Councillors and co-opted Members.</p> <p>38. To assist the Councillors and co-opted Members to observe the Members' Code of Conduct.</p> <p>39. To advise the Council on the adoption or revision of the Members' Code of Conduct.</p> <p>40. To monitor the operation of the Members' Code of Conduct.</p> <p>41. To advise on training arrangements for Councillors and co-opted Members on matters relating to the Members' Code of Conduct.</p> <p>42. To Grant dispensations, subject to other delegations, to Councillors and co-opted Members on requirements relating to interests set out in the Members' Code of Conduct.</p> <p>43. To ensure arrangements are in place under which allegations of misconduct in respect of the Members' Code of Conduct can be investigated and to review such arrangements where appropriate.</p> <p>44. To exercise (38 to (44) above in relation to the Parish / Town Councils wholly or mainly in its area and the Members of those Parish / Town Councils.</p> <p>45. To receive an annual report from the Monitoring Officer on local and national issues relating to ethical standards and to bring to the</p>	<p>35. Annually</p> <p>36. Annually</p> <p>This section has not been revised and relates to the Standards element of the Committee's work, which was not included in the review of Effectiveness as this only covered the 'Audit Committee' functions.</p>
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<p>attention of Members any complaints or other problems within the District.</p>	
<p><b>4</b>      <b>Membership</b></p>	
<p>At the Annual Meeting of Council, or as soon as possible thereafter, the Council will appoint a Governance and Ethics Committee. Any changes to the membership of the Committee will need to be agreed by Full Council.</p> <p><i>Governance and Ethics Committee</i></p> <p>The Governance and Ethics Committee shall consist of nine Members* reflecting the political balance of the Council (<u>with nominated substitutes</u>) and will be supported by two non-voting co-opted Parish Councillors and up to two substitute non-voting co-opted Parish Councillors. The Governance and Ethics Committee will be chaired by a District Councillor who will be elected at the first meeting of the Municipal Year.</p> <p><i>Advisory Panel</i></p> <p>The Governance and Ethics Committee shall be supported by an Advisory Panel comprising ten members (two members of the administration, two members from each of the opposition groups, two parish council representatives and two Independent Persons). The Advisory Panel shall be chaired by an Independent Person.</p> <p><i>Independent Persons (Ethics)***</i></p> <p>An Independent Person(s) shall be appointed by the Council and shall be consulted by it before any decision is made to investigate an allegation against any member of the Council. The Independent Person may be consulted by any member or Parish Council member against whom an allegation is made. The Independent Person(s) shall</p>	

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not chair the Governance and Ethics or be entitled to vote on matters before it.

In addition The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 include provisions requiring a panel to be set up to advise on matters relating to the dismissal of the Council's Proper Officers (Head of Paid Service, S151 Officer and Monitoring Officer). The Act requires at least two Independent Persons who have been appointed under section 28(7) of the Localism Act 2011 to be appointed to the panel. The Authority has elected to appoint three Independent Persons.

#### *Independent Person(s) (Audit)*

The Review of the Effectiveness of the Audit Committee suggested that it might be useful to Consider co-opting an independent member with relevant skills/experience. \*\*

\* the median size of a local authority audit committee was found to have increased to nine, the large number promotes political balance but was also thought to make it more difficult to appoint members with the right knowledge and interest – in the private sector audit committees are typically 3-4 members

\*\* 39% of local authority committees included at least one co-opted independent member to increase levels of knowledge and demonstrate openness and challenge.

\*\*\* A person is not considered to be "independent" if:-

- (i) They are or have been, within the last five years, an elected or co-opted Member or officer of the Council or of any Parish Councils within this area. This also applies to committees or sub-committees of the various Councils.
- (ii) They are a relative or close friend of a current elected, or co-opted, Member or officer of the Council or any Parish Council within its area, or any elected or co-opted member of any committee or sub-committee.

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	(iii) The definition of relative includes the candidate's spouse, civil partner, grandparent, child etc.	
<b>5</b>	<b>Annual Reports</b>	
	<p>The Localism Act 2011 was enacted on 15<sup>th</sup> November 2011 and it made fundamental changes to the system of regulation of the standards of conduct for elected and co-opted members of Councils and Parish Councils. In order to ensure that the process was working effectively locally it was agreed that the Monitoring Officer would produce an annual report which would be presented to the Governance and Ethics Committee. The report would set out the number and nature of complaints received and inform Members of any other activity that was taking place around the Code of Conduct regime. It would also provide a means of updating the Committee on the progress of investigations. It was also agreed that the report would be presented to Full Council at the Annual meeting and that it would be circulated to all Town and Parish Councils.</p> <p>It is proposed that this annual report be expanded on to include assessment of the governance and audit activities and the performance of the Committee throughout the previous Financial Year.</p>	
<b>6</b>	<b>Meetings</b>	
	<p>A timetable of all public meetings for the forthcoming Municipal Year will be agreed at Full Council. The timetable would usually include six meetings of the Governance and Ethics in February, April June, August, October and November. These meetings are arranged to meet deadlines for Council meetings and to facilitate the signing off of the Council's financial accounts. The meetings usually take place on a Monday afternoon at 4pm.</p>	

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<p>The Chairman in consultation with the Vice-Chairman and the Service Director for Strategy and Governance (or their nominated representative) may make an adjustment to the date, time and place of meetings considered necessary or desirable.</p>	
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