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To: Governance and Audit Committee – April 23rd 2021

SUBJECT: Review of the Terms of Reference for the Governance and Audit Committee

Classification: **Unrestricted**

Summary: This paper proposes changes to the Terms of Reference for the Governance and Audit Committee

- 1 There have been a number of high-profile issues for local authorities relating to wholly owned companies. Members of the Governance and Audit Committee have repeatedly expressed a desire to receive more information in order that they can scrutinise the actions of the executive relating to the Council's wholly owned companies.
- 2 At the meeting of the Governance and Audit Committee in January and the Policy and Resources Cabinet Committee in March, it was agreed that changes were required to the existing arrangements to simplify accountabilities, increase data and improve reporting to support scrutiny in relation to the oversight of the governance of the companies.
- 3 It had been hoped to organise workshops and training events to further explore the role of the Council as Shareholder, investor and owner in a range of businesses. Unfortunately, it was not possible to arrange these in time so the training including that with external providers will form part of the induction programme for new Members of the Council after the election.
- 4 To secure the changes discussed at the Committee in January (and at Policy and Resources Cabinet Committee), draft amendments to the Constitutional provisions regarding the Committee are attached at Appendix 1 for discussion, amendment and approval by the Committee. The changes are marked in bold text and underlined.

4 Recommendation

The Governance and Audit Committee is asked to:

- 1. DISCUSS and AGREE the amended Governance arrangements for this Committee**
- 2. AGREE that the Monitoring Officer be asked to include these changes as part of the next update to the Constitution to be taken through the Council's governance at the earliest opportunity.**

Appendix 1 – Terms of Reference

Purpose of committee

The purpose of this Committee is to:

- (a) ensure the Council's financial affairs are properly and efficiently conducted and;
- (b) review assurance as to the adequacy of the risk management and governance framework and the associated control environment **and;**
- (c) receive ongoing assurance and information to enable the effective scrutiny and oversight of the executive decision-making around shareholder strategy regarding companies in which the Council has an interest**

The Governance and Audit Committee is responsible for ensuring that:

- (a) risk management and internal control systems are in place that are adequate for purpose and effectively and efficiently operated,
- (b) the Council's corporate governance framework meets recommended practice, is embedded across the whole Council and is operating throughout the year with no significant lapses,
- (c) the Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of work to be carried out is appropriate,
- (d) the appointment and remuneration of external auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective,
- (e) the external audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit,
- (f) the Council's financial statements (including the pension fund accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective,

- (g) any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound,
- (h) accounting policies are appropriately applied across the Council,
- (i) the Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit, and
- (j) the Council monitors the implementation of the Bribery Act policy to ensure that it is followed at all times.

(k) the Council has appropriate governance arrangements in place to manage the relationship between the Council and any company in which the Council has majority control

(l) the Council has appropriate arrangements in place to ensure that the commercial opportunities and risks presented through company ownership are managed effectively