

By: Richard Long, Chairman of Governance & Audit Committee
Neeta Major, Head of Internal Audit

To: Governance and Audit Committee – 18 December 2013

Subject: **REVIEW OF THE COMMITTEE TERMS OF REFERENCE**

Classification: Unrestricted

Summary: This paper reviews and updates the Committee's Terms of Reference.

FOR DECISION

Introduction and Background

1. In September 2012 Members reviewed and approved the revised Committee Terms of Reference. This has been included at Annex 1 for ease of reference. Annual review of an Audit Committee's terms of reference is good practice.

Suggested Changes

2. No substantial changes are suggested to the Terms of Reference. The only proposed changes reflect the altered Membership following the elections in May 2013. This change is shown in bold underlined italics in Annex 1 for ease of reference.
3. The Council is undergoing a programme of significant transformation currently. Although unlikely, these developments may impact on the role of the Committee, and it is therefore appropriate that the Terms of Reference be reviewed regularly in December of each year to ensure they remain "fit for purpose".

Recommendations

4. Members of the Committee are asked to:
 - Recommend to full Council that the Terms of Reference at Annex 1 be approved.

Appendices

Annex 1 Proposed Terms of Reference

Neeta Major
Head of Internal Audit (x4664)

Governance and Audit Committee

TERMS OF REFERENCE

15 Members

Conservative: 8; UKIP: 3; Labour: 2; Liberal Democrat: 1; Independent: 1.

Overarching Purpose

The purpose of the Governance and Audit Committee is to:

1. ensure the Council's financial affairs are properly and efficiently conducted; and
2. review assurance as to the adequacy of the risk management and governance framework and the associated control environment.

Objectives of the Committee

On behalf of the Council the Governance and Audit Committee will ensure the following outcomes:

- 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 best 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 the work to be carried out is appropriate.
- d) The appointment and remuneration of the 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.

Responsibilities

Risk Management and Internal Control

The Committee should:

- Review annually the Council's Risk Management Policy and Procedures to ensure they remain up to date and relevant;
- Review the Council's Corporate Risk Register every six months to assess the effectiveness of the systems established by senior officers to identify, assess, control and monitor financial and non-financial risks;
- Review regular and ad-hoc assurance reports from officers in order to assess the effectiveness of the planned actions to mitigate the risks identified;
- Commission investigations into any matter of concern within the Terms of Reference of the Committee, consider the findings thereof and make appropriate recommendations to the Council;
- Ensure appropriate action is taken in response to recommendations arising from any external audit, internal audit, operational compliance or business risk report to monitor such action, making appropriate recommendations to the Council;
- Ensure that any significant partnership that the Council enters into has appropriate Governance and Risk Management arrangements, and that any risk to the Council from the Partnership is minimised;
- Consider the Risk Management Reports and assess the impact of the findings on the Annual Governance Statement;
- Review regular monitoring reports on treasury management activity and significant risks.

Corporate Governance

The Committee should:

- Ensure that the Annual Governance Statement (including the list of significant issues for action in the ensuing year) is prepared in accordance with the statutory requirements and guidance, properly reflects the risk environment, and monitor progress on the significant issues and actions identified in the Statement;
- Review the Council's key financial governance procedures i.e., Financial Regulations, Schemes of Delegation, the Procurement Policy and the Treasury Management Policies, and recommend any necessary amendments;
- Review the Council's Code of Corporate Governance and make recommendations to Council to ensure that it remains relevant to the Council's work and remains in compliance with best practice and legislation;
- Consider issues referred by the Head of Paid Service, Corporate Director of Finance and Procurement, Monitoring Officer, any Council body or appropriate external party within the remit of these Terms of Reference;

- Monitor the Council's compliance with its own published standards and controls;
- Make recommendations to the Council on amendments to the Constitution to ensure compliance with standards of financial probity and stewardship;
- Consider arrangements made by the Superannuation Fund Committee for effective governance of the Kent Pension Fund.

Internal Audit

The Committee should:

- review annually the Internal Audit Strategy, ensuring that its Annual Plan addresses the key risks of the Council, recommending changes and additions as necessary;
- Review at each meeting of the Committee progress against, and changes to, the Annual Plan;
- Review at each meeting of the Committee the findings of Internal Audit work and the adequacy of management response to their findings;
- Review at each meeting of the Committee the implementation by officers of agreed "High" priority Internal Audit recommendations, seeking explanations from those responsible where implementation has not been achieved;
- Consider the results of the annual benchmarking and Key Performance Indicator results for Internal Audit;
- Assess the implications of the Internal Audit Annual Report on the Council's risk management, control and governance processes;
- Annually assess the co-operation between External and Internal Audit and other inspection agencies or relevant bodies;
- Approve the Terms of Reference and Charter of Internal Audit.

External Audit

The Committee should:

- Approve on behalf of the Council the appointment of the External Auditor selected by the Audit Commission;
- Approve the annual External Audit plan and fee, ensuring that non-mandated work is proportionate, relates to recognised risks of the Council and takes account of the work of Internal Audit or other assurance activities;
- Review at each meeting of the Committee progress against, and changes to, the External Audit plan and fee;
- As "those charged with governance", receive the Annual Governance Report and the Annual Audit Letter and monitor Council's response to the External Auditor's findings and the implementation of external audit recommendations.

Financial Reporting

The Committee should:

- Approve the Statement of Accounts on behalf of the Council, specifically considering the suitability of accounting policies and treatments and any changes to these; areas of major judgement; and any significant issues or amendments resulting from the audit;
- Ensure that the Kent Pension Fund Accounts, and summary extracts in the Council's Accounts, have been prepared in accordance with recommended practice, and statutory requirements.

Fraud

The Committee should:

- Regularly review the Council's Anti-Fraud and Anti-Corruption strategies;
- Regularly review the Council's procedures for handling allegations from whistleblowers;
- Receive details of the findings of investigations resulting from either detected fraud or allegations made under the whistleblowing arrangements.

Membership

The membership of the Committee shall be 15 non-executive Members (Conservative 8; UKIP 3; Labour 2; Liberal Democrat 1; Independents 1).

Reporting

The Minutes of the Governance and Audit Committee will be reported to Council after each meeting.

Rights and Access

The Committee may procure specialist ad-hoc advice from officers or from suitably qualified external sources.

The Head of Internal Audit and the representative of External Audit will have unrestricted and confidential access to the Chairman of the Committee.

Meetings

The Committee will meet at least four times a year. The Chairman may convene additional meetings if required.

The quorum for Committee meetings is one third of its total voting membership.

The Committee may still validly exercise its functions even if Members have not been appointed to all the places on it.

Attendees

The Committee will normally be attended by the Corporate Director of Finance and Procurement, the Director of Governance and Law, the Head of Internal Audit, the Head of Performance, Business Intelligence and Risk /Corporate Risk Manager and a representative of External Audit.

The Committee may request that any other Member or Officer attend to assist with its discussions on any particular issues.

Work of other Committees

In all of the above, the Committee will strive to develop effective liaison with the following:

- the Standards Committee with regard to matters of ethical governance;
- the Scrutiny Committee – to complement but not to duplicate the exercise of their role in checking compliance with Council processes and policies in reviewing decisions and actions;
- Cabinet Members, in particular those whose portfolios include executive functions related to the matters covered by these Terms of Reference;
- the Council, especially when developing the Council's Code of Corporate Governance.

Training and Development

The work of the Members of the Committee will be supported by a training and development programme consistent with the responsibilities to be discharged.