

Appendix 1 – Proposed Revision of the Terms of Reference for the Governance and Audit Committee

The changes are not shown as track changes because the revisions largely replace the current content wholesale. The current terms of reference are set out in part two.

Part One – Proposed Terms of Reference

Governance and Audit Committee

- 17.2 Membership: 11 Members; plus, 1 independent member.
- 17.3 Political Groups can only nominate Members as regular Members or as substitutes on the Governance and Audit Committee (and on Panels of the Committee) if they have had training in the relevant procedures.
- 17.4 The Committee may appoint or remove up to two non-voting Co-Opted Members (independent of the elected membership) who may participate in the business of the Committee in accordance with the rules set out in the Constitution.
- 17.5 The purpose of this Committee is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements. Towards this purpose, its role is to:
- a) ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;
 - b) have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability, and
 - c) through a and b above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective; and
 - d) through an annual report, ensure that the County Council is sighted on the activity of the Committee alongside the importance of financial probity, good governance and learning lessons from audit activity.
- 17.6 The Governance and Audit Committee is responsible for the following:

- a) monitoring the development and operation of governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions in the Council,
- b) oversight of the Council's corporate governance framework to ensure it meets recommended practice, is embedded across the whole Council and is operating consistently throughout the year,
- c) oversight of the Council's framework of assurance, to ensure that it adequately addresses the risks and priorities of the Council,
- d) oversight of the Council's Internal Audit function, including review of the internal audit charter, and reviewing assurances that it is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of work to be carried out is risk-based, and appropriate,
- e) reviewing the annual audit plan and considering reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of any external providers of internal audit services,
- f) oversight of the appointment and remuneration of external auditors to ensure they are approved in accordance with relevant legislation and guidance, and the function is independent and objective,
- g) monitoring the effectiveness of the external audit process, to help ensure that it is of appropriate scope and depth, and gives value for money taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit,
- h) considering the external auditor's annual letter/report, and any other specific reports by, and with the agreement of, the external auditors,
- i) monitoring the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met,
- j) receiving reports on the effectiveness of financial management arrangements, including compliance with the Financial Management Code,
- k) monitoring the Council's arrangements to secure value for money and reviewing assurances and assessments on the effectiveness of these arrangements,
- l) considering reports on the effectiveness of internal controls and monitor the implementation of agreed actions,

- m) monitoring any public statements in relation to the Council's financial performance to help ensure they are accurate, and the financial judgements contained within those statements are sound,
- n) reviewing assurances that accounting policies are appropriately applied across the Council,
- o) monitoring the robustness of the Council's counter-fraud arrangements, including the assessment of fraud risks, backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit,
- p) reviewing assurances that the Council monitors the implementation of the whistle-blowing policy and Bribery Act policy to ensure that they are adhered to at all times,
- q) reviewing assurances that the Council has appropriate governance arrangements in place to manage the relationship between the Council and significant partnerships or collaborations, as well as any company in which the Council has majority control,
- r) reviewing assurances that the Council has appropriate arrangements in place to ensure that the commercial opportunities and risks presented through company ownership are managed effectively,
- s) oversight of the Executive's shareholder strategy regarding companies in which the Council has an interest,
- t) review and approval of the Statement of Accounts, with related reports, and Annual Governance Statement, and ensure that they properly reflect the risk environment and supporting assurances of the Council, and
- u) reporting to full Council for assurance on the Accounts and Annual Governance Statement approval and where appropriate on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

Part Two – Current Terms of Reference

Governance and Audit Committee

- 17.2 Membership: 11 Members; plus, 1 independent member.
- 17.3 Political Groups should only nominate Members as regular Members or as substitutes on the Governance and Audit Committee (and on Panels of the Committee) if they have had training in the relevant procedures.

17.4 The purpose of this Committee is to:

- (a) ensure the Council's financial affairs are properly and efficiently conducted,
- (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.

17.5 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,

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