

By: David Brazier, Chairman of Governance and Audit Committee
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To: Governance and Audit Committee – January 21st 2021

Subject: The Future Role of the Governance and Audit Committee

Classification: Unrestricted

Summary: This report provides an overview of the governance challenges facing the local government sector generally and Kent County Council specifically.

It seeks Member views on developing the future role of the Governance and Audit Committee to meet the current and future challenges.

FOR DECISION

1. In October 2020, Members of Governance and Audit Committee considered and approved the Annual Governance Statement. Whilst the statement specifically considered the financial year 2019/20, it recognised the exceptional operating environment and recognised the need for the organisation to continually and fundamentally review governance.
2. Through the AGS process, activity was identified by the Head of Paid Service, General Counsel and Head of Internal Audit which is reflected in the identified actions within the statement itself and the audit of the process. These reflect the importance of continually reviewing and refreshing the arrangements that are in place to govern the Council.
3. At the October 2020 meeting, Members were once again advised of the key strategic role played by the Governance and Audit Committee and the central importance of the Committee's work to ensuring Kent's residents are best served.
4. Paragraph 17.3 of the Constitution sets out that 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.
5. Given the importance of the Committee and the significant changes in the Council's operation, it is timely to review the future role of the Committee.

6. In November 2020, the Chairman arranged a meeting with the Independent Member of the Governance and Audit Committee along with the officers who act as professional advisors to the Committee.
7. The meeting discussed how to further develop the effectiveness of the Governance and Audit Committee. Specifically, the Independent Member and the officers were asked to consider their experience of the important financial and governance controls in other Councils and organisations that they had worked.
8. Officers raised the then recently published report by Grant Thornton into the challenges faced by Croydon Council. Whilst there are a great many differences between the two Councils, there are undoubtedly learning opportunities for the Council. The full report is attached at Appendix 1 to this paper.
9. In addition to learning, the recommendations and findings from the report provide a useful starting point for the review of the future role of the Governance and Audit Committee. The Committee is ideally placed to have a strategic view and the purpose set out in the Constitution summarises the unique role the Committee can play and it is timely to review arrangements more fundamentally.
10. It is also necessary to reflect on the training required to support a Governance and Audit Committee in the future. This includes training available through the Local Government Association on Treasury Management. Importantly, it also requires the expertise and commitment of Members who are most suited to serving on Governance and Audit Committee.
11. It is recommended that proposals around the future role of the Committee are brought forward to the April meeting to address:
 - a. The key findings and identified actions from the Annual Governance Statement
 - b. The current and future likely operating environment of the Council specifically and local government generally
 - c. The learning arising from the external auditor report into Croydon Council and other similar reports in recent years
 - d. Resetting the expectations of the role of the Governance and Audit Committee as a Corporate Governance Committee and key enabler of positive change
 - e. The role, expertise, training and expectations of Members of the Governance and Audit Committee.
 - f. The role of the Governance and Audit Committee with other Members of the Council.
 - g. The role and expectations of the Committee regarding the key statutory advisors to the Committee.
12. This is a significant undertaking to turn around by the April meeting given existing commitments and challenges but an important one. To assist and facilitate the work and discussion required, it is recommended that officers are tasked with a number of activities set out in the recommendations to expedite matters. This will also ensure that Members of the Committee play a key role in discussing,

challenging and defining the future role whilst receiving the advice needed to do so.

13. These important discussions should be transparently reported to the Committee in April 2021, alongside recommendations for change. It is also recommended that the following activities are rolled into this review and also reported back to transparently in the open session of the April meeting:
 - a. The Training Programme for Governance and Audit Members
 - b. Annual Review of the Council's Code of Corporate Governance
 - c. Annual Review of the Committee's Effectiveness
 - d. Review of the Terms of Reference for the Governance and Audit Committee

Recommendation:

The Committee is invited to discuss the paper and:

1. AGREE that the Monitoring Officer shall arrange a workshop to cover the learning arising from the external auditor report into Croydon Council and other similar reports in recent years by no later than 10th February 2021.
2. AGREE that the Chairman of the Committee shall instruct the Monitoring Officer and Head of Internal Audit to survey all Members of the Committee regarding their views on the issues set out at paragraph 11 of this report by no later than 26th February 2021.
3. AGREE that the Monitoring Officer, Section 151 Officer and Head of Internal Audit shall arrange a further workshop to discuss the future role of the Committee by no later than 19th March 2021.
4. AGREE that at the April meeting of the Governance and Audit Committee that the following reports shall be considered:
 - a. The Future Role of the Governance and Audit Committee
 - b. The Training Programme for Governance and Audit Members
 - c. Annual Review of the Council's Code of Corporate Governance
 - d. Annual Review of the Committee's Effectiveness
 - e. Review of the Terms of Reference for the Governance and Audit Committee
 - f. Annual Governance Statement – Update on Actions

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