

From: Cllr Rosalind Binks, Chairman – Governance and Audit Committee
To: Governance and Audit Committee – 15 November 2022
Subject: Chairman’s Report to the Council
Classification: Unrestricted
Future Pathway of report: County Council

1. Introduction & Purpose of this report

1.1. This is the first Chairman’s Report from the Governance & Audit Committee to the Council. Its purpose is to highlight for Members the role and work of the Committee, to draw attention to some of the governance issues the Committee has considered and finally to highlight key themes that all Members should be sighted on.

2. Committee Membership, Attendance & Training

2.1. The Governance & Audit Committee is a Cross-Party Committee and also includes one independent non-elected and non-voting member appointed by the Committee. The Committee benefits greatly from the diverse knowledge and expertise that all Members and Dr Horne bring to meetings.

The Governance & Audit Committee is currently made up of 10 Members.

Mrs R Binks (Chairman)
Mr H Rayner
Mr A Brady
Mr A Hook
Mr D Jeffrey
Mr S Webb
Mr M Hood
Mr N Chard
Mr R Thomas
Dr D Horne (Independent member)

2.2. The Committee agreed in 2022 that, given the nature of its work, Members of the Governance & Audit Committee, and indeed Members who wish to substitute at meetings, must have training to ensure that the Committee is fit for a changing and challenging environment. That includes both general and one-to-one talks from officers, auditors and CIPFA, as well as regular online update and training materials from external bodies.

2.3. It should also be noted that the various Substitute Members have all participated fully in the training necessary to the meetings that they attend.

2.4. A review of the Committee and its activities by CIPFA was subsequently presented to the Committee. Their comments and suggestions for development and improvement were informally discussed by Members and largely adopted.

3. Activity and Frequency of Meetings

3.1. Prior to 2021/22, the Committee met 4 times a year. However, to properly transact the full range of business, the Committee held 7 meetings in the last financial year 2021/22. For 2022/23 the Committee agreed to meet more frequently in order to appropriately consider key items and has already held 5 meetings up to December 2022.

3.2. During the past 18 months the Committee has considered reports covering the entire breadth of KCC and KCC-related activities. These include:

- annual reports and statements, such as the Annual Governance Statement, the annual Report and Accounts for both KCC and the Kent Pension Fund
- the plans for both Internal and External Audit for the year, and reports on the outcome of their work. During 2021, this has included the new External Audit Value for Money assessment
- policies and frameworks for good governance, such as revised Financial Regulations for the Council, the development of assurance frameworks, the Counter-Fraud Strategy and Treasury Management arrangements
- the Corporate Risk Register, Code of Corporate Governance, Risk Management Policy, Strategy and Programme
- specific items such as the SEND Transport Review and the performance of KCC wholly-owned companies
- reports on lessons learned from audit and government interventions in other Councils.

3.3. The Internal Audit Team, led by Jonathan Idle, planned 57 audits for 2021/22 of which 15 were deferred or removed to provide resources for the SEND Transport Review. For the 22/23 Audit Plan, a new rolling plan approach has been adopted, initially with 26 reports planned. This is in addition to Grant Certification work as well as audits for third parties.

3.4. Audits for 2021/22 have already reported the following assurance opinions:

- 1 No Assurance
- 5 Limited
- 11 Adequate
- 7 Substantial
- 2 High

3.5. With regard to prospects for improvement, most of the audits considered them Good or Very Good. One was viewed as adequate, however two were marked as Uncertain.

3.6. The Committee has already considered several reports including the following:

- Gypsy & Traveller Service – Site Allocations and Pitch Fee Collections
A review of progress is expected shortly. (No Assurance / Uncertain Prospects)
- Kent & Medway Business Fund (Adequate / Good Prospects)
The process for debt write-off was not in accordance with KCC Financial Regulations, primarily due to the funds being non-KCC. This is now being

amended to comply with the regulations, including a retrospective review of previous write-offs.

3.7. The External Auditors, Grant Thornton, reported in April 2022 that while they found no risk of significant weakness in the Council's governance, or arrangements for economy, efficiency and effectiveness, there was one area of significant weakness in financial sustainability, in SEND and High Needs education.

3.8. The Internal Audit team has recently completed an excellent and totally independent review on SEND Transport. This was presented first to the Governance & Audit Committee in September 2022 with complete transparency and is currently being reviewed by Scrutiny. There will also be further review by the Governance & Audit Committee where necessary and it is already evident that changes have and will continue to be made.

4. Reinforcing the Purpose of the Committee

4.1. During 2022, the Committee undertook an external review of its effectiveness. The review, which reported in July 2022, found that the Committee demonstrates features of good practice and recommended increasing the focus of the Committee to make an impact across the Council.

4.2. With that in mind, the Terms of Reference for the Committee are being revised and will be under regular review as the Council's statutory responsibilities change over time. It is important that Committee Members understand these Terms and how they differ from those of the Scrutiny Committee. It is also important that all Council Members understand the role of this important non-executive Committee as a key part of our governance.

4.3. In the coming year, Committee Member briefings will be organised with internal and external auditors as and when required. A Chairman's report will be produced for Council at least annually.

4.4. The Committee's agendas are being restructured to enable Members time to better focus on those issues that require most attention and also consider issues which present potential future risks.

4.5. Kent County Council faces an environment of ever-increasing challenges following the long Covid lockdown with substantial increases in demand in many areas, recruiting and retaining staff and growing financial pressures. This Council is certainly not alone in navigating these difficulties and a few Councils have already floundered in a very public manner. One common thread to those cases has been inadequate governance: not necessarily a failure to recognise a problem but a failure to challenge, to ask questions and to ensure that the issue is dealt with promptly.

4.6. Good governance is based on sound ethical culture, transparency for all stakeholders, clear sustainable outcomes, effective performance that provides value for money, continuing review and improvement, risk management, accountability. It is not merely historic but must also consider the future of the Council with increased risk to KCC's ability to provide efficient and effective services and ensure the Council provides the best value for money with public funds.

4.7. To this regard, increased focus will be placed by the Committee on questioning those with overall responsibility. A Limited or No Assurance audit report will automatically be examined at the next Committee meeting in the presence of the relevant Director, as well as the Cabinet Member or Deputy, who is assumed to be equally fully informed. This will be followed by a review of progress within 6 months, to gain the assurance that is required

4.8. There may be issues where the Committee sees the need for a Deep Dive, but it is largely the work of Internal Audit to gain an understanding of how governance procedures are followed in practice and to present the results to the Committee for comment and assurance.

4.9. These changes and the heightened focus of the Committee will also be reflected in the Annual Governance Report that accompanies the accounts.

5. Focus on the Future & Actions for the Coming Year

5.1. Overall, within the Committee and Council there is a good understanding of governance requirements and procedures. However, rising demand for KCC services presents a serious challenge for the Council. Resources, both financial and non-financial are finite, therefore there is a ceiling of activity beyond which good governance cannot be assured.

5.2. The latest Internal Audit Opinion has remained unchanged from recent years at Adequate but there are underlying trends that give cause for concern. Throughout the Council, there is now a greater awareness of the prompt implementation of agreed improvement actions, the need for clearly-defined responsibilities and accountability within and across directorates and of course realistic consideration of available resources. This is particularly relevant when considering the viability of current activities and services and planning for the future.

5.3. A recent report from Grant Thornton highlighted four key areas that can and have caused failings at various councils:

- Transparency and conduct
- Officer / Member interaction
- Assessment and decision-making
- Governance

5.4. Key Actions for the Committee over the coming year are to

- Be vigilant over risks and mitigations for the financial challenges facing KCC
- Monitor service delivery
- Progress revised Terms of Reference for the Committee.
- Take forward remaining actions from the review of the Committee's effectiveness

Author:

Cllr Rosalind Binks

Chairman, Governance & Audit Committee

November 2022

