

From: Ben Watts, General Counsel
Katy Reynolds, Governance Advisor

To: Governance and Audit Committee, 23 January 2024

Subject: Review of Effectiveness and Committee Terms of Reference

Status: Unrestricted

1) Introduction

- 1.1. It is best practice to conduct an annual review of the effectiveness of the Governance and Audit Committee. This should include different aspects, such as terms of reference and work plans.
- 1.2. Given the Council's current operating context (as outlined in the 2023/24 Annual Governance Statement), it is timely to review the Committee's effectiveness ahead of the May 2025 elections. The intention is to ensure that the terms of reference, Committee support and work plans assist the Committee in carrying out its role in ensuring that the authority's corporate governance framework meets recommended practice, is embedded across the whole Council, and is operating throughout the year with no significant lapses.
- 1.3. The following paper highlights the progress made in implementing the recommendations from the 2022 CIPFA Review, and provides a summary of the self-assessment survey results from December 2024 along with outlining some key recommendations for further improving Committee effectiveness.

2) CIPFA Review of the Governance & Audit Committee

- 2.1. Building on a series of discussions about the development of this Committee, on 25 January 2022 the Governance and Audit Committee agreed to CIPFA being commissioned to conduct a review. The final report was considered by the Committee on 21 July 2022. Significant progress has been made towards achieving the recommendations outlined in the report and the actions taken since July 2022 are outlined in the table below.

Recommendation	Actions Taken
Update the Governance and Audit	It is established best practice to review

<p>Committee's terms of reference to set out its purpose, role and position within the governance arrangements at Kent County Council and its activities in relation to risk management.</p>	<p>the Governance and Audit Committee's terms of reference on at least an annual basis given the importance of its role in the governance framework of the Council.</p> <p>Further to the CIPFA review, the terms of reference for this Committee were substantively amended and then agreed by County Council on 25 May 2023.</p> <p>In late 2023, the terms of reference were reviewed again and the outcome was that there needed to be additional formal requirements around the membership of the Committee to ensure that the work of the Committee is kept distinct from that of other parts of the Council. The updated terms of reference were agreed by County Council on 28 March 2024.</p> <p>This effectiveness review includes a review of the Terms of Reference and presents proposed changes in Appendix A.</p>
<p>Once the Committee's terms of reference has been revised, look for ways to reduce the length of the agenda, including identifying items that could be dealt with outside the committee cycle and reporting only those matters where audit committee input is needed.</p>	<p>In 2024 the Governance and Audit Committee made greater use of the Microsoft Teams site through which additional resources and background reading were provided between Committee meetings. Members are encouraged to continue using the Teams site.</p>
<p>Develop a training programme for committee members, both to support those who are new to the Committee and as a refresher for more experienced members. It may be best to take a 'just in time' approach to</p>	<p>A report to the Governance and Audit Committee on 6 July 2023 formalised the training requirements for Committee Members and substitutes. It was agreed that the programme be comprised of 'Part A' mandatory</p>

<p>training and training should support members to discuss and agree how the Committee is going to address the subject. Training should be both to share knowledge and to develop an appropriate culture for the Committee.</p>	<p>minimum training requirements for Committee Members and substitutes and 'Part B' just in time training sessions delivered as refreshers throughout the meeting cycle.</p> <p>The Committee have continued to receive the 'just in time' training sessions such as that on the Statement of Accounts in July 2024. The Part A training will be delivered for the first time in May/June 2025.</p>
<p>Consider revising the independent member's terms of appointment to extend the term of office and ensure that it crosses the electoral cycle.</p>	<p>The appointment of an Independent Member to the Governance and Audit Committee was reviewed in July 2023. It was agreed that there would be an extension of current independent co-opted Committee member's term for a further two years and that a recruitment exercise would be carried out for a second independent member for a four-year term. This term would be on a par with the member electoral cycle but offset from it so that there would be continuity of membership across council terms.</p> <p>The second independent Member was recruited and joined the Committee for the first time in the meeting in July 2024.</p>
<p>Maintain a strategic approach to risk, focussing on the material matters. Taking deep dives into individual corporate risks may be helpful. Invite risk owners to present their risks, to enable a more informed discussion and to increase risk accountability.</p>	<p>Regular, focussed written and videoed briefings for all Members on strategic risks have been delivered over the course of 2023 and 2024.</p> <p>The Governance and Audit Committee has been updated more regularly on the Corporate Risk Register through the introduction of verbal updates and provision of the updated register on the</p>

	Teams site.
Focus internal audit reporting on material matters, where the Governance and Audit Committee can make a difference.	In July 2022 it was agreed that it was important to continue to provide balanced internal audit reports. However, agenda time would be focused on material matters, where the Governance and Audit Committee could make a difference. Since July 2022 agendas have been more focused.
Meet internal and external audit separately, formally and in private (Part 2 meeting) at least once a year.	Private meetings and briefings with Internal and External Auditors are now diarised on a regular basis.
Produce an annual report to the Council from the Governance and Audit Committee Chair. Also consider producing a short briefing note from the Chair after each meeting, summarising the key points to be shared with all members.	<p>Chairman's Report to the Council was most recently considered at the 12th September 2024 County Council meeting. The purpose of regular reporting is to highlight for Members the role and work of the Committee, to draw attention to some governance issues the Committee has considered, and to highlight key themes that all Members should be sighted on.</p> <p>A short briefing note from the Chair after each meeting was considered and trialled. At present, the Microsoft Teams site, particularly the action log, keeps Members up to date more effectively.</p>

3) December 2024 Effectiveness Review

- 3.1. There has been ongoing work to ensure continuous improvement in the effectiveness of the Governance and Audit Committee. This includes the appointment of a Governance Advisor in March 2024: a lead adviser to the Governance and Audit Committee on relevant governance matters and to the Monitoring Officer on matters related to the Committee, including the Annual Governance Statement.

- 3.2. The Committee has made greater use of the Microsoft Teams site which includes reference documents and links to relevant articles, responses from Officers to requests for information raised in Committee meetings, and PowerBI dashboards for tracking progress of governance recommendations. An action log, also embedded in the Teams site, was introduced in July 2024 and is now a standing item on the agenda. This gives the Committee greater oversight of the key actions raised in Committee meetings.
- 3.3. In December 2024, Committee Members were provided with an opportunity to complete a self-assessment of the Governance and Audit Committee's effectiveness and five responses were received. The survey was developed using questions from the National Audit Office effectiveness tool and the CIPFA self-assessment of good practice. The intention is to use the survey annually going forward to allow for comparison with prior years' responses.
- 3.4. The survey responses indicated that over the past year there has been greater awareness of the Committee and its work, and Committee Members felt that there was improved regard by both Officers and other Members for the concerns expressed by the Committee. However, there were varying levels of agreement as to whether Committee recommendations have traction with those in leadership roles within the Council. It was also identified that improvement was required to ensure that the Committee escalates issues and concerns promptly to those in governance and leadership roles and makes recommendations for the improvement of governance, risk and control arrangements.
- 3.5. Some Committee Members felt that the introduction of the Member pre-meetings were helpful in preparing Members for the formal meeting, however, the general feeling was that improvement was required to ensure that meetings are effective with a good level of discussion and engagement from all Members. Additional comments suggested that the Committee should be encouraging and supporting where evidence is presented of good leadership, rather than just 'attacking' bad leadership.

4) Recommendations for Improvement

Further to the survey responses received and the reflection on the CIPFA 2022 review, the following recommendations are made ahead of May 2025:

- a) Development of a robust induction training programme for Members and substitutes of the Governance and Audit Committee which addresses the issues raised in the survey.
- b) Standardisation of Committee covering reports which include an executive summary and direct links to the Terms of Reference.
- c) To ensure that the Member pre-meetings are effective and contributions in formal meetings remain focused on material matters within the scope of the Terms of Reference, the Governance Advisor attends the pre-meetings to advise the Committee. This will assist with the continuity of the running of the pre-meetings post May 2025.
- d) Update the Governance and Audit Committee's terms of reference to ensure that the Committee is properly constituted and has a clear remit. The proposed changes are outlined in the following section.

5) Proposed Updates to the Committee's Terms of Reference

- 5.1. It has previously been highlighted that updating the terms of reference is an iterative revision process based on the need to continuously improve Kent County Council's governance. Further to the review of effectiveness, the proposed revised version of the Terms of Reference is set out in Appendix A. The current Terms of Reference with tracked changes are also set out in Appendix B for comparison.
- 5.2. The proposed changes are intended to provide the Committee with a more coherent, strategic, terms of reference. The objective is to improve the readability of the text whilst ensuring that this does not inadvertently diminish any of the Committee's powers. Therefore, where appropriate, headline phrases have been used to bring together and clarify roles and responsibilities, instead of listing individual reports. This is in response to feedback received via the survey that not all respondents had fully read the Governance and Audit Committee's Terms of Reference. It also helps remove some areas of possible ambiguity.

6) Appendices

Appendix A - Proposed Updated Terms of Reference

Appendix B – Proposed Updated Terms of Reference With Tracked Changes.

7) Recommendations

The Governance and Audit Committee is asked to:

- a) Consider and comment on the review of effectiveness.
- b) Note the suggested revisions to the Terms of Reference.

- c) Ask Selection and Member Services Committee to consider recommending the proposed changes to County Council for adoption.

8) Background Documents

[CIPFA Final Report on Kent Governance and Audit Committee.pdf](#)

[GAC Training Programme.pdf](#)

[Appointment of an Independent Member.pdf](#)

[Independent Member Role Description.pdf](#)

[GA Chairmans Report to Council Sept 2024 F.pdf](#)

9) Relevant Director and Report Authors

Ben Watts, General Counsel

03000 416814

benjamin.watts@kent.gov.uk

Tristan Godfrey, Senior Governance Manager

03000 411704

tristan.godfrey@kent.gov.uk

Katy Reynolds, Governance Advisor

03000 422252

katy.reynolds@kent.gov.uk

Appendix A: Proposed Updated Terms of Reference

- 17.2 Membership: 11 Members; plus, 2 (non-voting) co-opted members.
- 17.3 Members may not serve as ordinary or substitute members of the Governance and Audit Committee, or any sub-committees, where any of the following apply:
- a) They have not had the training required for this Committee.
 - b) They are an Executive Member or a Deputy Cabinet Member.
 - c) They are the Chair of the Scrutiny Committee.
 - d) They have served as an Executive Member at any time within the two years preceding the date of the meeting.
- 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 There is an expectation that Members not on the Committee, and Officers, attend in relation to material matters on the agenda. However, Officers below Senior Manager level are not required to attend meetings except with their agreement and that of the relevant Senior Manager.
- 17.6 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,
 - 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) 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 through an annual report.
- 17.7 The Governance and Audit Committee is responsible for the following:
- a) monitoring the development and operation of the Council's corporate governance, financial, risk, and assurance frameworks and

arrangements to ensure it meets recommended practice, is embedded across the whole Council and is operating consistently throughout the year,

- b) monitoring the development and operation of the Council's Internal Audit function, including review of the internal audit charter and annual audit plan, and reviewing assurances that it is effective and independent of the activities it audits,
- c) 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,
- d) monitoring the effectiveness of the external audit process, to help ensure that it is of appropriate scope and depth, gives value for money taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit,
- e) considering the external auditor's annual letter/report, and any other specific reports by, and with the agreement of, the external auditors,
- f) monitoring the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met,
- g) receiving reports on the effectiveness of financial management arrangements, including Productivity Plans, saving plans, and compliance with the Financial Management Code,
- h) monitoring the Council's arrangements to secure value for money and reviewing assurances and assessments on the effectiveness of these arrangements,
- i) considering reports on the effectiveness of internal controls and monitor the implementation of agreed actions,
- j) reviewing assurances that accounting policies are appropriately applied across the Council,
- k) monitoring the robustness of the Council's counter-fraud arrangements, including the assessment of fraud risks, and reviewing assurances that the Council effectively monitors the implementation of the whistle-blowing policy and Bribery Act policy,,
- l) 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,
- m) 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,
- n) oversight of the Executive's shareholder strategy regarding companies in which the Council has an interest,
- o) Approval of Spending the Council's Money, sending this document to full Council for noting.
- p) review and approval of the Statement of Accounts, with related reports, and the Annual Governance Statement, and

q) reporting to full Council for assurance on the Accounts and Annual Governance Statement approval.

17.8 The Corporate Director of Finance has delegated authority from the Committee to make minor corrections and updates to Spending the Council's Money where it does not affect the meaning of the Sections.

|

Appendix B: Proposed Updated Terms of Reference with Tracked Changes

- 17.2. Membership: 11 Members; plus, 2 (non-voting) co-opted members.
- 17.3. Members may not serve as ordinary or substitute members of the Governance and Audit Committee, or any sub-committees, where any of the following apply:
- a) They have not had the training required for this Committee.
 - b) They are an Executive Member or a Deputy Cabinet Member.
 - c) They are the Chair of [the Scrutiny Committee](#). ~~any other formal Committee set out in section 17 or 18 of the Constitution, or any of their sub-committees.~~
 - d) They have served as an Executive Member at any time within the two years preceding the date of the meeting.
- 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. There is an expectation that Members not on the Committee, and Officers, attend in relation to material matters on the agenda. However, Officers below Senior Manager level are not required to attend meetings except with their agreement and that of the relevant Senior Manager.

~~17.5.~~17.6. 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 [through an annual report](#).

~~17.6.17.7.~~ 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)a) monitoring the development and operation oversight of the Council's corporate governance, financial, risk and assurance frameworks and arrangements to ensure it meets recommended practice, is embedded across the whole Council and is operating consistently throughout the year,
- ~~e) oversight of the Council's framework of assurance, to ensure that it adequately addresses the risks and priorities of the Council,~~
- d)b) monitoring the development and operation oversight of the Council's Internal Audit function, including review of the internal audit charter and annual audit plan, and reviewing assurances that it is effective and 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)c) 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)d) 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)e) considering the external auditor's annual letter/report, and any other specific reports by, and with the agreement of, the external auditors,
- i)f) monitoring the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met,
- j)g) receiving reports on the effectiveness of financial management arrangements, including Productivity Plans, saving plans, and compliance with the Financial Management Code,
- k)h) monitoring the Council's arrangements to secure value for money and reviewing assurances and assessments on the effectiveness of these arrangements,
- h)i) 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,~~

- ~~r)j)~~ reviewing assurances that accounting policies are appropriately applied across the Council,
- ~~e)k)~~ _____ 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)l)~~ 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)m)~~ _____ 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,
- ~~n)~~ oversight of the Executive's shareholder strategy regarding companies in which the Council has an interest,
- ~~s)o)~~ Approval of Spending the Council's Money, sending this document to full Council for noting.
- ~~t)p)~~ review and approval of the Statement of Accounts, with related reports, and ~~the~~ Annual Governance Statement, ~~and ensure that they properly reflect the risk environment and supporting assurances of the Council,~~ and
- ~~u)q)~~ _____ 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.~~

~~17.7.17.8.~~ The Corporate Director of Finance has delegated authority from the Committee to make minor corrections and updates to Spending the Council's Money where it does not affect the meaning of the Sections.