

From: Ben Watts, General Counsel

Katy Reynolds, Governance Advisor

To: Selection and Member Services Committee, 27 February 2025

Subject: Governance and Audit Committee Terms of Reference: Update

Previous Pathway: Governance and Audit Committee, 23 January 2025

Future Pathway: County Council, 13 March 2025

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 was timely to review the Committee's effectiveness ahead of the May 2025 elections. The intention was 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. Further to the survey responses received and the reflection on the CIPFA 2022 review, it was recommended that the Committee's terms of reference be updated to ensure that the Committee is properly constituted and has a clear remit. The Governance and Audit Committee reviewed the proposed changes on 23 January 2025 and agreed to ask this Committee to review the proposals and recommend them to County Council. The proposed changes are outlined in the following section.

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

- 2.1. 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.

2.2. 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.

3) Recommendations

The Selection and Member Services Committee is asked to recommend the proposed changes to the Governance and Audit Committee's terms of reference to County Council for agreement and for the Constitution to be updated accordingly.

4) Appendices

Appendix A - Proposed Updated Terms of Reference

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

5) Background Documents

[Governance and Audit Effectiveness Review December 2024](#)

6) 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.

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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,

l)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,~~

- ~~h)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.~~

17.8. 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.