

From: Michael Brown, Chair – Governance and Audit Committee

To: County Council

Subject: Chair of the Governance and Audit Committee's Draft Annual Report to County Council

Classification: Unrestricted

Recommendation:

County Council is asked to NOTE the report.

1. Introduction & Purpose of the report

- 1.1. This annual report provides Members with an overview of the work of the Governance and Audit Committee during 2026, highlights significant governance issues considered throughout the year, and draws attention to key areas requiring ongoing focus and improvement.
- 1.2. The report forms part of the Committee's commitment to transparency, accountability and continuous improvement within the Council's governance framework.

2. Assurance for 2025/2026

- The Council's external auditors confirm that no material misstatements were identified in the 2025/26 Statement of Accounts.
- The Committee has received assurance regarding the robustness of key financial reporting processes, including property valuations and pension liabilities.
- The Committee has received assurance that the implementation of the Oracle Fusion finance system has not resulted in any material financial reporting errors.
- The Committee notes that an unqualified audit opinion is anticipated for the Council's 2025/26 financial statements.
- The Committee has maintained oversight of the Council's governance, risk management and internal control arrangements throughout the year.
- The Committee has reviewed the Council's response to Local Government Reorganisation and received assurance that appropriate

governance arrangements are being developed to support effective oversight during the transition.

- The Committee has reviewed and approved the Annual Governance Statement and will monitor delivery of the associated governance improvement actions throughout 2026/27.
- The Committee has undertaken development activity to strengthen Member understanding of governance and audit responsibilities and improve overall Committee effectiveness.
- The Committee has continued to provide independent challenge and scrutiny in support of good governance, accountability and transparency across the Council.

3. Committee Purpose, Membership & Training

- 3.1. The Governance and Audit Committee provides independent assurance on the Council's governance, risk management and internal control arrangements and promotes accountability, transparency and value for money.
- 3.2. The Committee comprises of 13 elected Members and up to two independent non-voting Members, providing a broad range of knowledge and experience to support its work. A list of Committee Members and the Terms of Reference can be found here: [Governance and Audit Committee Details](#)
- 3.3. In 2022, the Committee agreed that, given the nature and complexity of its responsibilities, all Governance and Audit Committee Members, should undertake appropriate and mandatory induction training. This helps to ensure the Committee remains effective in an increasingly complex and changing governance environment.
- 3.4. It should be noted that any Members who wish to sit as a substitute on the Committee, must also undertake mandatory induction training.
- 3.5. The delivery of mandatory training has been revised to provide greater flexibility and better align with Member availability. Training is now delivered through a pre-recorded session, replacing the previous face-to-face format. Attendance continues to be supervised to provide support where required and to ensure accurate participation records are maintained.
- 3.6. As Chair, I consider it essential that the Committee maintains its political neutrality and upholds the highest standards of integrity. While robust debate and constructive challenge are integral to the Committee's work, all participants are expected to conduct themselves professionally and respectfully. Inappropriate behaviour towards any individual attending a meeting will not be tolerated.

4. Strengthening the Effectiveness of the Committee

- 4.1. Strengthening the effectiveness of the Committee is an ongoing process. Throughout the year, several training sessions have been delivered for Members by both internal and external officers and providers. The Committee recognises the importance of maintaining and enhancing Members' knowledge and skills to support effective scrutiny, challenge and assurance activities.
- 4.2. The findings of the Council's external auditors (Grant Thornton), contained in their Findings Report for 2025-26, have reinforced the importance of continuing to strengthen Committee effectiveness, Member cohesion and training as key elements of the Council's governance arrangements. [Kent County Council - Audit Findings Report 2025-26](#) . The Committee will continue to review its development programme, encourage attendance at training sessions, and identify opportunities to enhance its collective effectiveness in discharging its responsibilities.
- 4.3. Grant Thornton issued their Interim Auditor's Annual Report: [Interim Auditor's Annual Report for Kent County Council Year ending 31 March 2026](#). It is important to both note, and effectively seek, to address their observations for going forward. I wish to highlight the following observations made by the external auditors in relation to the Committee's effectiveness:

“Significant weaknesses in governance arrangements identified. A key recommendation has been made relating to improving committee effectiveness, member cohesion and training. No improvement recommendations made.”

“The Governance and Audit Committee is an essential component of the Council's control environment. However, our work has established committee arrangements are not optimal and need to be strengthened.”

As Chair, I am committed to building on this feedback to enhance Member engagement, strengthen the Committee's effectiveness and support robust governance, scrutiny and assurance.

4.4. Member training

- Corporate Risk Register Briefing – 28 January 2026
 - The Charter Institute of Public Finance and Accountancy – 21 September 2026
 - Member Reset meeting – 30 September 2026
 - Mandatory Induction Training - At the time of writing, one mandatory induction training session has been delivered this year, on the 3 September 2026, with additional sessions scheduled in line with Members' availability. 3 induction training sessions were delivered in 2025.
- 4.5. An annual review of Committee effectiveness was presented on 23 July 2026, based on feedback from an anonymous Member survey and an exit interview with a former

Independent Member. The review supported the Committee's commitment to continuous improvement and identified opportunities to enhance effectiveness through further Member training and development.

- 4.6 Members discussed engagement, participation, challenge, meeting culture, attendance of key officers and Cabinet Members, and the volume and complexity of reports. Officers confirmed that survey methods, training arrangements, and approaches to officer and Cabinet Member engagement would be reviewed to support continuous improvement. Members were also invited to submit further suggestions, with potential future workshops proposed to consider the Committee's operation and identify further improvements. [Review of the Governance and Audit Committee Effectiveness](#).

4.7. Committee Reset Training

The Committee had a training session with CIPFA on 21 September, and Committee Members met to discuss a re-setting of its purpose on 30 September and in early October. These two re- setting meetings were facilitated by Statutory KCC Officers and the Deputy Chief Executive.

4.8. Independent Member

Following the departure of the previous Independent Member in March 2026, a recruitment process was completed, and a new Independent Member has been appointed, subject to the completion of pre-employment checks. It is anticipated that they will join the Committee shortly.

5. **Activity of the Committee**

- 5.1. The Committee held 6 meetings during 2026. As part of their work, Members considered the following:
- i. Annual Governance Statement and arrangements for its implementation.
 - ii. The Corporate Risk Register and review of the Risk Management Strategy, Policy and Programme.
 - iii. External Audit findings and progress reports for Kent County Council and Kent Pension Fund
 - iv. External Audit plans for Kent County Council and Kent Pension Fund
 - v. Internal Audit Annual report, External Quality Assessment Outcomes and Progress Reports
 - vi. Counter Fraud Update with an annual Surveillance Activity
 - vii. Biannual Treasury Management Update
 - viii. Schools Audit Annual Report
 - ix. Company Governance Review
 - x. KCC Annual Customer Feedback Report
 - xi. Review of Statutory Accounts of companies which KCC has an interest
 - xii. Performance of KCC wholly owned companies
 - xiii. The implementation and ongoing review of the Oracle Cloud Programme

5.2. Internal Audit

The Acting Head of Internal Audit issued an Adequate Assurance Opinion for 2025-26, confirming that the Council's governance, risk management and internal control arrangements remain effective overall, consistent with previous years.

Of the 26 audits completed, 50% achieved High or Substantial Assurance and none received a No Assurance opinion. Audit outcomes demonstrated continued improvement in assurance levels and implementation of agreed actions.

5.3. Counter Fraud

The Counter Fraud Annual Report 2025-26 provided assurance that the Council's counter fraud arrangements continue to strengthen. During the year, 649 referrals were received, a 25% increase on the previous year, and the Kent Intelligence Network generated an estimated £1.78 million financial benefit.

The Committee noted continued progress in fraud awareness, training and risk management and endorsed the 2026-27 Counter Fraud Action Plan.

5.4. Risk Management

The Committee received assurance on the Council's corporate risk profile and risk management arrangements. During the year, risks relating to the Safety Valve Agreement, budget pressures and Local Government Reorganisation increased, while several other corporate risks reduced or were de-escalated following improvement.

The Committee noted the Risk Register for assurance.

6. Local Government Reorganisation

- 6.1. Local Government Reorganisation presents a range of strategic, governance and operational risks, including potential impacts on organisational capacity, decision-making and the delivery of business-as-usual services.
- 6.2. Governance arrangements are being developed to support the Council's response, with dedicated programme governance, officer resource and engagement with government and local partners helping to ensure effective oversight throughout the transition.

7. Focus on the Future & Actions for 2027

- 7.1. The Annual Governance Statement (AGS) identified several governance improvement actions for delivery during 2026/27. These include:

- i. Development of governance arrangements to support Local Government Reorganisation activity.
- ii. Continued review of governance and oversight arrangements for Council-owned companies.
- iii. Strengthening Member training and awareness of constitutional responsibilities and standards requirements.
- iv. Further development of the Governance and Audit Committee following the recent effectiveness review.
- iv. Enhancing fraud risk awareness and governance assurance activities across the organisation.

It is expected that progress against these actions will be monitored throughout 2026/27 and reported through the Council's established governance arrangements.

- 7.2 Overall, Grant Thornton anticipates issuing an unqualified audit opinion, confirming that KCC's 2025/26 financial statements present a true and fair view of the Council's financial position.

Key areas of concern identified four significant weaknesses in the Council's Value for Money arrangements:

- i. Continuing financial pressures within Adult Social Care.
- ii. Growing SEND/Dedicated Schools Grant deficit and uncertainty beyond 2027/28.
- iii. Opportunities to strengthen the effectiveness, training and cohesion of the Governance and Audit Committee.
- iv. Delays and increased costs associated with the Oracle Cloud Programme.

- 7.3 External Auditor's identified several priorities for 2026/27, including delivering savings and improving financial sustainability within Adult Social Care, implementing the SEND Reform Plan and addressing future DSG funding risks. Further priorities include continuing governance improvements and Member development for the Governance and Audit Committee, strengthening oversight of the Oracle Cloud Programme, embedding lessons learned from Phase 1, and rebuilding general reserves while improving Oracle reporting and controls.

8. Conclusion

- 8.1. The Committee Effectiveness Review concluded that the Committee continues to provide independent assurance. However, improvements are needed in:

- i. Member engagement.
- ii. Understanding of the Committee's role and Terms of Reference.
- iii. Constructive challenge.
- iv. Training and development.
- v. Forward work planning.

- 8.2 While the external audit provides assurance over the Council's financial statements, Grant Thornton highlights ongoing risks relating to financial sustainability, SEND pressures, governance effectiveness and delivery of the Oracle Cloud Programme. These areas should remain a key focus during 2026/27.
- 8.3 The effectiveness of the Governance and Audit Committee is an area which requires continued focus and improvement, in fact, a genuine re-setting of purpose. As Chair, I remain dedicated to working with officers to continue the progress trajectory.

Recommendation:

County Council is asked to note the report.