

**From:** Cllr Rosalind Binks, Chairman – Governance and Audit Committee  
**To:** County Council – 12 September 2024  
**Subject:** Chairman’s Report to the Council  
**Classification:** Unrestricted

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**Recommendation:**

County Council is asked to note the report.

**1. Introduction & Purpose of this report**

- 1.1. The Chairman’s Report from the Governance and Audit Committee to County Council was introduced as part of governance improvements driven by the Committee and the officers advising them.
- 1.2. The purpose of regular report is to highlight for Members the role and work of the Committee, to draw attention to some governance issues the Committee has considered and finally to highlight key themes that all Members should be sighted on.

**2. Committee Purpose, Membership, Attendance & Training**

- 2.1. The purpose of the Governance & Audit Committee is to provide independent and high-level focus on the adequacy of the Council’s governance, risk, finance, and control arrangements.
- 2.2. The Committee membership is Cross-Party and 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 the independent Members bring to meetings.
- 2.3. Following a change of membership outlined below in 5.5 and approved by the Council, the Governance & Audit Committee will comprise 11 voting Members and up to 2 non-voting independent members. Current members are:
  - Mrs R Binks (Chairman)
  - Mr T Bond
  - Mr A Brady
  - Mr N Chard
  - Mr P Cooper
  - Mr M Hood
  - Mr C Passmore (Vice Chairman)
  - Mr O Richardson
  - Mr S Webb

- Mr M Whiting
- Dr D Horne (Independent Member)
- Mrs C Black (Independent Member)

2.4. A review of the Committee and its activities by CIPFA was presented to the Committee in July 2022. Their comments and suggestions for development and improvement were discussed by Members and largely adopted.

2.5. 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 updates and training materials from external bodies.

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

2.7. As Chairman of the Committee, I consider it is vital that the Committee retains its political neutrality and integrity. Views may be challenged but inappropriate behaviour towards any other person attending a meeting will not be permitted.

### 3. **Strengthening the Effectiveness of the Committee**

3.1. The 2022 review found that the Committee demonstrates features of good practice and recommended increasing the focus of the Committee to make an impact across the Council. The actions to deliver against this have included the following:

- Review of the Terms of Reference for the Governance and Audit Committee:  
Completed March 2023; updated February 2024.  
[Committee details - Governance and Audit Committee \(kent.gov.uk\)](#)
- Governance and Audit Committee Training Programme:  
Minimum training requirements for Members and substitutes of the Governance and Audit Committee - completed and ongoing.
- Independent Member:  
Reviewed July 2023; agreed extension of current independent co-opted Committee member for a further two years and recruitment of a second independent member for a four-year term. The second independent Member has been recruited and joined the Committee for the first time in the meeting in July.
- Lessons to be Learned from Other Authorities:  
Review July and November 2023 and a watching brief for learning opportunities that flow from the case study of other Authorities - recommended reading for ALL Members.
  - [Lessons Learned paper](#)
  - [Best Value Interventions Update Nov 2023](#)

- Increased Briefings with Auditors:  
Private meetings and briefings with Internal and External Auditors are now diarised on a regular basis.

#### **4. Activity of the Committee**

4.1 The Committee held 8 meetings during 2023.

4.2 As part of the Committee's work, Members considered the following:

- The Council's Annual Governance Statement and arrangements for its compilation
- The pre-audit Annual Statement of Accounts for 2022-23 and External Auditor's reports, including reports on Value for Money and Risk Assessment Review
- The Corporate Risk Register
- SEND Transport Review Management Response
- Internal Audit Follow Up of SEND Transport Lessons Learned Review
- Schools Audit Annual Report
- Internal Audit Annual Report, including a report on the Kent Pension Fund
- Performance of KCC wholly owned companies
- Treasury Management Policy and Annual Outturn Report as well as the mid-year update
- External Audit Governance Review
- Counter Fraud Plans and Update Reports including Covert Enforcement Techniques Activity
- Annual Customer Feedback Report

4.3. A subgroup of Committee Members participated with Officers in the update of the Financial Regulations and Scheme of Delegation and the review of the Council's Current Standing Orders (Spending the Council's Money). This gave Members a valuable insight into the operational processes within the organisation.

4.4 The Committee monitors audit plans and their ongoing progress as well as regularly reviewing KCC policies such as Risk Management Strategy, Anti-Money Laundering, Anti-Fraud and Corruption, Bribery and Whistle Blowing to ensure their continued relevance and accuracy.

4.5. The Internal Audit Annual Report 2022-23 highlighted the increase in the number of systems, processes or functions assigned a "Limited Assurance" (35% compared to 9% in 2019-20). The trend continued through the first half of 2023 with the Internal Audit Progress Report including, most notably, a Limited Assurance for Compliance with Financial Regulations. All Limited or No Assurance reports were considered by the Committee and questions put to the relevant Cabinet Members and Officers in attendance. Follow-up reviews were also held to monitor the progress of any proposed actions and current Internal Audit reports for the financial year 2023-24 are indicating a distinctly more positive trajectory.

4.6. Several audits had identified issues of non-compliance which indicated a need for a stronger financial 2nd line of defence within Directorates. The External Audit Report also outlined the need for a cultural change within Council and greater Governance training at all

levels of the Council. This has led to a variety of actions to remind, instruct, and support Officers and Members in their collective and personal responsibilities within the Council, including a well-attended and successful Governance Week last November.

4.7. Following recommendations by auditors and consideration by the Committee, the governance and oversight of other KCC companies has also been enhanced by placing the Shareholder Board as a formal sub-committee of the Cabinet, which will meet in Q2 and Q4 of each financial year starting with the current financial year.

## **5. Focus on the Future & Actions for 2024**

5.1. The Governance & Audit Committee continues to express great concern at the Council's direction of travel and the need for action on External Audit recommendations as well as completion of actions already agreed with Internal Audit. These actions affect financial Sustainability, Value for Money and Governance and all should be addressed with urgency.

5.2. Democratic Services have worked diligently to ensure that the necessary legal changes to the organisation are in place to enable the Council to formulate new ways of working. The groundwork for change is in place, decisions and actions must follow.

5.3. Auditors have continually referred to underlying issues such as the culture within the organisation, the quality and timeliness of decision-making, the delivery of promised savings and ensuring all activities are effective, efficient and compliant. The greatest risk to the Council is its future Financial Sustainability. Whilst there are many external factors that the Council cannot change, much can be achieved and improved by changing the culture in which the Council operates. That requires 'buy-in' at all levels of the organisation – Members and Officers. Following an External Audit report on this subject, the Committee still awaits the outcome of the Member Governance Working Group which will review the structure of the Administration of the Council and make recommendations on how this may be improved. If they are to continue in their current form, Cabinet Committees can and should act as a discussion forum ahead of major decisions, to ensure all potential options have been considered and risks and benefits have been challenged and realistically assessed. Poor and tardy decision-making is one common cause of Council failure.

5.4. Transformation always presents a risk but is particularly heightened this year. The Corporate Risk Register includes CR0045: maintaining effective governance and decision-making in a challenging financial and operational environment. There will be greater consideration by the Governance & Audit Committee of the Corporate Risk Register in the coming months and the expectation of timely notification of potential and actual changes in the Council's risk profile.

5.5. Internal Audit's current rolling audit plan has evolved to reflect the greatest financial risks facing the Council and these must be the focus for the Committee, as well as closer monitoring of the pressures on service delivery and resources.

5.6. Following recommendations from both Internal and External Auditors, the Committee recently proposed further changes to its membership. With approval from the Council, the following are now specifically excluded from Committee Membership:

- Current Cabinet and Deputy Cabinet Members, or those who have been Cabinet Members in the past 2 years.

Whilst acknowledging the valuable experience and knowledge that holders of those roles may have, the Committee must maintain and be seen to maintain clear independence from the Administration of the Council in its governance activities.

5.7. In the past year there have been several areas where Internal Audit findings reflected a particular need for improvement or change. These included Asset Control, Social Care Debt Recovery and Property Management. Management actions are now in place to improve these issues, but greater transparency is needed to ensure more effective scrutiny. The progress of management action plans to give greater assurance in these areas will be regularly considered by the Committee.

5.8. The Committee has received updates on over 40 actions to improve SEND transport and a recent Lessons Learned review reported cross-directorate co-operation has been strengthened with a Memorandum of Understanding and better working procedures. There is now a team dedicated to removing the backlog of complaints and the Committee will expect to see hard evidence of improvement in the coming months. Whilst appreciating that the strong growth in demand for SEND services is a nationwide issue, it is indisputable that Kent faces a considerably greater demand than many other councils and the department has already made substantial changes to both the assessment of need and the management of the service to ensure that the Council fulfils its statutory obligations and provides the service needed to Kent's most vulnerable people in an equitable manner.

5.9. In many areas of the Council's activities, Contract Management and Commissioning was found to need improvement. Urgent decisions should be minimised wherever possible and most particularly when commissioning. Work is ongoing to enhance the pre-decision process, with clearly defined procedures and responsibility for both internal and external advice as well as robust consideration of available options. Well-researched and timely decision-making is particularly crucial in the delivery of care services, where the bulk of the Council's budget is spent. Once contracts are in place, proactive management and performance monitoring is vital to ensure control of spending. Contract Management and Procurement will play a vitally important role in enabling the Council to deliver the required budgeted savings and the Head of Commissioning Portfolio will attend the Committee's meetings regularly in future.

5.10. Changing how the Council works also includes changing how it works with other parties. By sheer size of budget, the Council's most important partners are undoubtedly those of the care services including the NHS. The increase in demand is relentless. Several new initiatives have been proposed with the aim of providing improved and more cost-effective services, but it is too early to determine if these will be successful and bring about the savings that are essential for the future of the Council.

5.11. It should not be forgotten that this enormous period of change places great pressure on the Council's various IT systems and it is essential that adequate resources are in place to ensure both the ability to keep pace whilst maintaining security of data.

5.12. Despite a rising number of fraud and security risks, KCC's Counter Fraud Team continue with their invaluable work. They and the various local and national agencies with

whom they work provide a robust and reliable support not only to the Council but also to our colleagues in District Councils and ultimately the residents of Kent.

5.13. There have been many positive changes with Officers and Members working together to ensure better outcomes for the Council and Kent's residents. However, there is still evidence of some lack of challenge at committees. It is essential that Members maintain a good understanding of the issues brought before them, prepare for their meetings, and ask questions to ensure they understand fully what is being undertaken in their name. Democratic Services will ensure that training is strengthened for all Members next year after the elections.

5.14. In accordance with CIPFA good practice, the Committee will consider a review of its own effectiveness during the coming year. This is an essential factor in developing an effective and knowledgeable Committee for the future and we must ensure that all basic elements are in place for the Committee's membership and effectiveness following the 2025 elections.

## **6. Conclusion**

There is no doubt that KCC has in the past few months undergone substantial changes both in its working practices and in its culture. There has been noticeable improvement in many areas, with both Officers and Members rising to the challenge. However, it is a work in progress. These changes are not just for the current financial environment, but how the Council should and must work for the future. The Council provides public services, and the public has the right to expect that those services are delivered equitably, within a reasonable time and are well-managed.

This Committee has a duty to provide assurance to residents that their County Council is meeting its statutory duties, complying with all relevant regulations and, to the best of its ability, ensuring value for public money. Unless there is a major change in Government funding of local authorities and the services they provide, the agreed Council budgets for this and future financial years will be extremely difficult to achieve, so it is the duty of the Governance & Audit Committee to raise succinct and timely comments to the Executive if proposed actions are not progressed or the expected results do not appear to be forthcoming.

The work of this Committee covers every aspect of the Council's activities. It would not be possible without the considerable support of Internal and External Auditors, Governance Law and Democracy, and the Finance Division.

On behalf of all the Committee members, I would like to thank them for their valuable input and assistance.

### **Recommendation:**

County Council is asked to note to the report.