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Dear Member

GOVERNANCE AND AUDIT COMMITTEE - TUESDAY, 28 FEBRUARY 2023

I am now able to enclose, for consideration at next Tuesday, 28 February 2023 meeting of the Governance and Audit Committee, the following report that was unavailable when the agenda was printed.

Agenda Item No

4 **Minutes of the Meeting Held on 26 January 2023 (Pages 1 - 6)**

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Watts', is written over a faint, larger version of the same signature.

Benjamin Watts
General Counsel

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KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 26 January 2023.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Dr D Horne, Mr M A J Hood, Mr D Jeffrey, Mr H Rayner, Mr R J Thomas and Mr S Webb

ALSO PRESENT: Mr P J Oakford

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Mr M Scrivener (Corporate Risk Manager), Mr Paul Dossett, Mr J Flannery (Counter Fraud Manager), Mr Parris Williams, Miss K Reynolds (Democratic Services Officer), Ms C McInnes (Director of Education), Ms F Smith (Audit Manager) and Mr R Smith (Audit Manager)

UNRESTRICTED ITEMS

80. Substitutes (Item 2)

Apologies for absence had been received from Mr Chard and Mr Hook.

81. Declarations of Interest in items on the agenda for this meeting (Item 3)

There were no declarations of interest.

82. Minutes of the Meetings Held on 19 October 2022 and 15 November 2022 (Item 4)

RESOLVED that the minutes of the meetings held on 19 October 2022 and 15 November 2022 were correctly recorded and that they be signed by the Chairman.

83. Annual Governance Statement (Item 5)

1. The General Counsel's introduction to the Annual Governance Statement (AGS) for 2021-22 was accompanied by a presentation. The presentation slides can be found on the meeting page on the KCC website. The General Counsel emphasised the need for the Council to be self-aware and to foster continual governance improvement in all areas. With reference to the operating environment, it was highlighted that the 'overheating' mentioned in previous years had become a significant ongoing pressure in terms of meeting the statutory duties. It was also said that the Monitoring officer was unable to provide

assurance that all decisions in 2021-22 had been taken in accordance with the Council's governance.

2. In response to questions and comments from the Members it was said that:
 - a) The General Counsel was satisfied that the AGS had been informed by adequate evidence collected through various mechanisms. Further work was being undertaken to improve the AGS process given the Internal Audit findings.
 - b) Regarding concerns raised by Members relating to the General Counsel's workload, he assured the Committee that he had a growing team supporting him.
 - c) The Committee endorsed the AGS and were fully in support of the proposed actions, which covered every aspect of operations as well as Officer and Member training.
 - d) Members would receive an update on the progress towards the AGS actions at the September meeting of the Committee.
3. RESOLVED to:
 - a) Approve the Annual Governance Statement; and
 - b) Recommend that the Annual Governance Statement should be sent to all members.

84. Committee Terms of Reference

(Item 6)

1. The General Counsel introduced the latest draft of the Terms of Reference which had been reviewed following a series of discussions about the development of the Committee. The final draft would be brought back to the Committee for approval.
2. Members raised concern regarding the adequate provision of training for Committee Members and substitutes, particularly given the current vacancies on the Committee. It was agreed that while the induction training was available online for all Members, a more regular training scheme would be developed.
3. RESOLVED to discuss the Terms of Reference and make comments ahead of the final draft being prepared.

85. Internal Audit Progress Report

(Item 7)

1. The Head of Internal Audit and the Internal Audit Managers introduced the Progress Report which included the summaries of completed audit reports for the period September to December 2022. It was confirmed that all audits from the 2021-22 plan had been completed, however, progress on the 2022-23 audit plan remained behind schedule due to resources being deployed earlier in the year to the SEND Home to School Transport Review. Members were told that there had been a relative improvement in the implementation rate of management actions across the Council. Regarding resources, it was said that the recruitment of experienced auditors was challenging. However, the specialist IT auditor position had been filled.
2. The Head of Internal Audit highlighted the positive assurance findings including those of the 'CIPFA Financial Management Code – Part 2' and 'Talent

Management' audits. It was said that the AGS had been allocated a split audit opinion. The overall audit opinion of 'Limited' was based on identifying inaccuracies in the majority of assurance statements submitted for the compilation of the AGS that were reviewed.

3. In response to questions and comments from Members, the responses included that:
 - a. The AGS survey for 2022/23 would be adapted given the feedback from the Internal Audit Team. This was part of a continuous improvement process.
 - b. The Head of Internal Audit made the decisions, with feedback from the Corporate Statutory Officers, regarding which audits to carry out.
4. RESOLVED to note the Internal Audit Progress Report for the period September to December 2022 for assurance.

86. External Audit Progress Report

(Item 8)

1. Mr Parris Williams from Grant Thornton UK LLP introduced the report which provided an update on the Financial Statements Audit of Kent County Council (KCC) and the risk assessment of the Council's arrangements to secure value for money (VFM). It was said that the Financial Statements audit was nearing completion and would be presented at the extraordinary meeting of the Committee on the 28th of February 2023. Members were reminded that the external audit and the Statement of Accounts had been delayed due to a technical accounting issue relating to the reporting of infrastructure assets in 2022.
2. Relating to the Value for Money risk assessment, Mr Williams highlighted that there would be additional work undertaken to review the issues identified in the Annual Governance Statement.
3. In response to questions and comments regarding the newly identified risk of significant weakness (relating to the financial sustainability of the Council), Members were told that the Value for Money report would include a benchmark of the Council's reserves against other counties. It was said that the KCC was slightly below the mid-range of the graph. However, considering the significant financial challenges facing the Council and uncertainty regarding the DfE safety valve funding, the view of the external auditors was that KCC needed to take action to deliver savings over short and medium term to ensure financial sustainability.
4. RESOLVED that the report be noted for assurance.

87. Counter Fraud Update

(Item 9)

1. The Counter Fraud Manager introduced the report on the Counter Fraud activity undertaken for the period April 2022 to December 2022, including reported fraud and irregularities.
2. The Head of Internal Audit drew Members' attention to the identified weaknesses in the asset control of laptops. Members were reminded that the management

response to the limited assurance 'Covid-19 risk - Asset Control of Laptops and Other Equipment' audit, as reported to the October 2020 meeting of the Committee, included an action for the relevant Director to take responsibility for the system for tracking and recording of assets. The Head of Internal Audit referred to the assurances that had been received by the relevant Director and Cabinet Member in October 2020, which are available to view, which had not materialised as per the assurances that were provided. In response to this, the Cabinet Member assured the Committee that there had been notable progress since the appointment of the new Director of Technology. However, it was agreed that the Committee would receive an update on the progress as soon as possible.

3. RESOVED to;
 - a) Note the Counter Fraud Update report for 2022/23.
 - b) Note the progress of the Counter Fraud Action Plan for 2022/23.
 - c) Note and comment on the Fighting Fraud & Corruption Locally self-assessment of Counter Fraud Arrangements.
 - d) Approve and comment on the review of the Anti-Fraud and Corruption Strategy.

88. Schools Audit Annual report

(Item 10)

1. The Director of Education introduced the report which detailed the processes, metrics and controls that gave the necessary assurance needed for the Chief Finance Officer (CFO) to sign the annual Department for Educations (DfE) assurance statement. It was said that at the end of the financial year 2021-22, 1.6% (5 schools) of Kent Local Authority (LA) Maintained schools were in low-value deficits. This was below the LA national average of 8.8%.
2. Members were reminded that this audit covered the standards of financial management and the regularity and propriety of school spending. There was no evidence to suggest that the deficits had impacted on educational outcomes.
3. In response to questions and comments from Members it was said that additional, bespoke advice and support was provided to the schools in deficit.
4. RESOLVED to note the report for assurance.

89. Review of the Risk Management Strategy, Policy and Programme

(Item 11)

The Leader of the Council was in attendance for this item.

1. The Leader of the Council and the Corporate Risk Manager introduced the report which set out the annual review of the Council's Risk Management Policy, Strategy and Programme and included minor amendments to the policy.
2. In response to questions and comments from Members it was said that:
 - a) The Corporate Risk and Assurance Team engaged regularly with Cabinet Members, senior and/or middle managers.
 - b) Members requested a better indication of the percentage of all officers and members who were participating in training programmes.

- c) The Leader said that he did not believe that the issues relating to the SEND Transport redesign in February 2022 arose from a failure to communicate or appreciate the Council's Risk Management Policy, Strategy and Programme
3. RESOLVED to a) approve the Risk Management Policy & Strategy 2023-2026; and b) note the report on the Risk Management Programme for assurance.

90. Other items which the Chairman decides are urgent
(Item 12)

There were no matters arising.

91. Internal Audit Progress Report (EXEMPT)
(Item 13)

1. The Internal Audit Manager introduced the report which highlighted the key strengths and areas for development identified in the assurance mapping exercise of Corporate Risk CRR0004 - Simultaneous Emergency Response, Recovery.
2. RESOLVED to note the report for assurance.

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