

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Thursday, 11 April 2013.

PRESENT: Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman), Mr A R Chell, Mr B R Cope, Mr K A Ferrin, MBE, Mr C Hibberd, Mr R A Marsh, Mr T Prater, Mr J Tansley and Mr R Tolputt

ALSO PRESENT: Mr J D Simmonds

OFFICERS: Mr A Wood (Corporate Director of Finance and Procurement), Mr N Vickers (Head of Financial Services), Miss E Feakins (Directorate Accountant), Mr G Wild (Director of Governance and Law), Mr D Whittle (Head of Policy and Strategic Relationships), Mr M Rolfe (Trading Standards Manager (East)), Ms N Major (Interim Head of Internal Audit) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Ms E Olive from Grant Thornton

UNRESTRICTED ITEMS

1. Minutes

(Item 4)

RESOLVED that:-

- (a) the Minutes of the meeting of the Committee held on 19 December 2012 are correctly recorded and that they be signed by the Chairman; and
- (b) the Minutes of the Trading Activities Sub-Group held on 1 March 2013 be noted.

2. Committee Work Programme

(Item 5)

- (1) The Interim Head of Internal Audit proposed an updated forward committee work programme.
- (2) RESOLVED that approval be given to the forward work programme to April 2014 to meet the Committee's Terms of Reference.

3. Member Development Programme

(Item 6)

(1) The Interim Head of Internal Audit provided an update on the introduction of the training programme for Members of the Committee following the elections in May 2013.

(2) In agreeing the content of the proposed training programme, Members asked the Interim Head of Internal Audit to review the timings, including the possibility of bringing some of the sessions forward to take place in the two months following the elections. .

(3) RESOLVED that:-

(a) subject to (2) above, agreement be given to the proposed training programme for 2013 – 14 which will be available to Members of the Committee and other Members.

(b) the delivery of training through the Financial Management Development Programme be supported.

4. Updated Financial Regulations

(Item 7)

(1) The Chief Accountant asked the Committee to note the updated financial regulations prior to their submission to the County Council for approval.

(2) RESOLVED that the proposed updated Financial Regulations (including the delegated authority matrix) be noted for assurance prior to their submission to the County Council.

5. Revised Accounting Policies

(Item 8)

(1) The Chief Accountant asked the Committee to note that there were no proposed revisions to accounting policies.

(2) RESOLVED that the report be noted.

6. Update on Savings Programme

(Item 9)

(1) The Corporate Director of Finance and Procurement gave an update report on the savings programme for 2013/14. None of the savings were rated as “Red” at this stage.

(2) RESOLVED that the report be noted for assurance.

7. KCC Insurance Overview

(Item 10)

(1) The Head of Financial Services gave a summary of Insurance Activity. He said that the County Council’s insurance programme was extensive and designed to

provide increased financial control over the risks flowing from the diverse nature of activities undertaken to meet statutory duties, and to support business functions as well as income generating operations.

(2) Mr R A Marsh asked for his dissatisfaction with the outcome of a public liability claim involving one of his constituents to be recorded.

(3) RESOLVED that the report be noted for assurance.

8. Treasury Management Quarterly Report

(Item 11)

(1) The Head of Financial Services gave an update on treasury management issues. He agreed that future reports would show a combined weighted interest rate in the KCC Deposits Table set out at Appendix 1 of the report.

(2) RESOLVED that the report be noted for assurance.

9. Update on development of Management Guides

(Item 12)

(1) The Head of Policy and Strategic Relationships provided an annual update on the development of "Management Guides" and made recommendations regarding their ongoing assurance and governance.

(2) The Committee agreed that the Committee should only receive an annual report if there were any significant changes to approach or purpose of the Management Guides.

(3) RESOLVED to:-

(a) note that the content of any new management guides continues to be approved by the Cabinet Member for Business Strategy, Performance and Health Reform;

(b) note that any necessary revisions and updates to existing management guides are approved by the Head of Policy and Strategic Relationships without the need for approval by the Cabinet Member; and

(c) only receive a report for assurance annually if there are any significant changes to the approach or purpose of the management guides.

10. RIPA Report on Surveillance

(Item 13)

(1) The Trading Standards Manager (East Kent) outlined work undertaken by KCC officers on surveillance, the use of covert human intelligence sources and access to telecommunications governed by the Regulation of Investigatory Powers Act (RIPA) during the 2012/13 business year.

(2) Members of the Committee indicated that they wished future reports to give details of the grounds for seeking to use RIPA powers as well as the outcomes. It

was also considered desirable if the County Council were to compile its own table of use of RIPA powers by local authority, per head of population.

(3) RESOLVED that the use of powers under RIPA during the 2012/13 business year be noted for assurance.

11. Annual Review of the Code of Corporate Governance

(Item 14)

(1) The Director of Governance and Law reported the annual review of the Code of Corporate Governance and asked the Committee to endorse proposed amendments for submission to the County Council for consideration and final approval.

(2) The Committee agreed that further reports on the Code of Corporate Governance would only be submitted if there were substantial changes to be reported.

(3) RESOLVED that:-

(a) the annual review be noted in accordance of paragraph 6 of the Code of Corporate Governance;

(b) endorsement be given to the proposed amendment to paragraph 6 of the Code of Corporate Governance to read: "the Council's governance arrangements are reviewed annually. If there are any amendments recommended as a result of this review, these will be reported to the Governance and Audit Committee and the County Council for approval"; and

(c) endorsement be given to the proposed amendments to the Code of Corporate Governance set out in paragraphs 2 (3) and 2 (4) of the report for submission to the County Council for consideration and final approval.

12. Trading Activities Sub-Group Terms of Reference

(Item 15)

(1) The Interim Head of Internal Audit reported a review of the existing Terms of Reference for the Committee's Trading Activities Sub-Group. She proposed a number of revisions. These were agreed except for the membership, which would be considered by the Committee at its next meeting.

(2) On being put to the vote, the proposed revised terms of Reference (as amended in (1) above) were agreed by 9 votes to 1.

(3) RESOLVED that approval be given to the proposed revised Terms of Reference for the Committee's Trading Activities Sub-Group as appended to these Minutes.

13. Internal Audit Annual Audit Plan 2013-14

(Item 16)

- (1) The Interim Head of Internal Audit reported on the proposed Internal Audit Plan for 2013/14. She explained the new arrangements for auditing Commercial Services (Kent) Ltd and Commercial Services Trading Ltd.
- (2) RESOLVED that agreement be given to the proposed Internal Audit Plan for 2013/14 as appended to the report.

14. Internal Audit Progress Report

(Item 17)

- (1) The Interim Head of Internal Audit summarised the outcomes of Internal Audit activity since the Committee's last meeting in December 2012. She reported that progress against the Audit Plan for 2012/13 now stood at 93%.
- (2) RESOLVED to note:-
 - (a) progress against the 2012/13 Audit Plan and proposed amendments; and
 - (b) the assurance provided in relation to the County Council's control environment as a result of the outcome of Internal Audit work completed to date.

15. External Audit Update March 2013

(Item 18)

- (1) Ms Elizabeth Olive from Grant Thornton UK LLP provided an update of recent audit activities by the external auditor, including progress in 2012/13.
- (2) RESOLVED that the report be noted.

16. Grant Thornton: Certification of claims and returns - annual report

(Item 19)

- (1) Ms Elizabeth Olive from Grant Thornton LLP summarised the external auditor's work on the certification of funding from government grant-paying departments in 2011/12.
- (2) RESOLVED that the report be noted for assurance.

17. Grant Thornton Audit Plans Year Ended 2013 - KCC and Kent Superannuation Fund

(Item 20)

- (1) Mr Darren Wells from Grant Thornton LLP set out the external auditor's proposed work to enable them to give an audit opinion on the County Council's 2012/13 financial statements including the Kent Superannuation Fund. This included the audit approach and an identification of risks that impacted on the work the

proposed. He indicated that he was confident that the necessary audit could be carried out based on the programme outlined.

(2) RESOLVED that:-

- (a) the outcomes of Grant Thornton's updated risk assessment be noted with approval; and
- (b) approval be given to the Audit Plans for Kent County Council and the Kent Superannuation Fund for 2012/13.

18. External Audit Fee Letter 2013/14

(Item 21)

(1) The Interim Head of Internal Audit introduced the report which presented the planned external audit fee for the County Council for 2013/14.

(2) RESOLVED that approval be given to the fees proposed in the fee letter.

19. Fraud, law and regulations and going concern considerations

(Item 22)

(1) The Corporate Director of Finance and Procurement summarised the County Council's management's responses to questions set out in a questionnaire from Grant Thornton on the County Council's processes in relation to fraud, law and regulations and going concern risks.

(2) Members of the Committee noted that that whistleblower tips were not usually specifically identified as such, but were incorporated in the general quarterly reporting of fraud referrals to Committee. The Committee agreed that this was the appropriate approach.

(3) Members asked if they could have complete assurance in relation to compliance with the law since April 2012 and the adequacy and effectiveness of internal controls. The Corporate Director of Finance and Procurement explained that as audits were not performed over all areas of the Council every year, 100% assurance over controls or compliance with legislation was unfortunately not possible. However, the questions could be answered in general terms based on the assurances received from internal audits and annual governance statements.

(4) RESOLVED that approval be given to the management responses to Grant Thornton's questions.

20. Anti-Fraud and Corruption Progress Report

(Item 23)

(1) The Interim Head of Internal Audit gave a summary of progress of anti-fraud and corruption activity as well as the outcome of investigations concluded since the last meeting of the Committee in December 2012.

(2) Members requested that the tables setting out irregularities by type and source should in future include the actual number of cases as well as the percentage figures.

- (3) RESOLVED that the progress of anti-fraud and corruption activity be noted together with the assurance provided in relation to anti-fraud culture and fraud prevention/investigation activity.

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APPENDIX TO MINUTES
(Minute 12 refers)

Governance and Audit Committee Trading Activities Sub Group

Terms of Reference (as agreed by the Governance and Audit Committee on 11 April 2013.)

The Governance and Audit Committee established this sub group in September 2008 to specifically focus upon Kent County Council's (KCC) Trading Activities.

Overarching Purpose

The purpose of the Governance and Audit Committee Trading Activities Sub Group is to:

1. Ensure that there are effective governance arrangements in place for Kent County Council's limited companies and trading vehicles (as defined in the Protocol relating to companies in which KCC has an interest); and
2. Provide oversight of KCC's companies and other trading vehicles to ensure that these are run properly and transparently.

Objectives of the Sub Group

On behalf of the Governance and Audit Committee, the Trading Activities Sub Group will ensure the following outcomes:

1. Companies and other trading vehicles established by the Council have robust, transparent and fully accountable audit and governance arrangements in place and comply with the protocol relating to companies in which KCC has an interest;
2. The best interests of the Council are safeguarded within the governance and management structures of companies and other trading vehicles established by the Council;
3. Public accountability to residents and businesses in Kent is maintained as openly as possible (subject to commercial confidentiality) in the exercise of the sub group's function for oversight and performance management of companies and trading activities established by the Council;
4. Matters that the sub group considers to be of concern relating to the companies and other trading vehicles established by the Council that would affect the interests of the Council, are referred to the Governance and Audit Committee for their consideration; and
5. The Council has visibility of and can protect its interests in arrangements entered into by the Council's companies and other

APPENDIX TO MINUTES

(Minute 12 refers)

trading vehicles where these have the potential to affect the risk profile or financial affairs of the Council.

Responsibilities

1. Monitor and review the financial performance, reporting and governance arrangements of all companies and other trading vehicles owned in whole or in part or controlled by KCC;
2. Monitor and review adherence to the appropriate legal, regulatory and accounting frameworks governing local authority trading activities.
3. Monitor and review trading and commercial activities being undertaken by the Council to ensure that they have the right structure;
4. Receive and review the annual statutory financial accounts of any KCC limited companies and financial statements for other trading vehicles and to consider corrective action where appropriate;
5. Review the dividend policies adopted by KCC companies; and
6. Oversee the establishment of new limited companies, subsidiary companies and other trading vehicles through an examination of the decision making process followed (business case, financial and legal advice) before the company commences trading and make governance related recommendations to the Governance and Audit Committee and responsible Cabinet Member where appropriate.

Membership

To be determined by the Committee in July 2013.

Reporting

The minutes of the Governance and Audit Committee Trading Activities Sub Group will be reported to the Governance and Audit Committee after each meeting.

Frequency

Bi-annually