

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 Friday, 3 October 2014.

PRESENT: Mr R L H Long, TD (Chairman), Mr R H Bird, Mr H Birkby, Mr N J D Chard (Substitute for Mr R J Parry), Mr J A Davies, Mr C P D Hoare, Mr E E C Hotson, Mr A J King, MBE, Mr S C Manion, Mr R A Marsh, Mr J E Scholes, Mr W Scobie, Mr D Smyth, Mr M E Whybrow and Mrs Z Wiltshire (Substitute for Mr B Neaves)

ALSO PRESENT: Miss S J Carey and Mr J D Simmonds, MBE

OFFICERS: Mr A Wood (Corporate Director Finance and Procurement), Mr G Wild (Director of Governance and Law), Mr R Patterson (Head of Internal Audit), Mr N Vickers (Head of Financial Services), Ms S Buckland (Audit Manager), Mr P Rock (Counter Fraud Manager), Ms C White (FTC - Review Team Co-ordinator) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr Paul Hughes and Ms E Olive from Grant Thornton UK LLP.

UNRESTRICTED ITEMS

35. Minutes - 24 July 2014
(Item 4)

RESOLVED that the Minutes of the meeting held on 24 July 2014 are correctly recorded and that they be signed by the Chairman.

36. Committee Work and Member Development Programme
(Item 5)

(1) The Head of Internal Audit proposed an updated forward Committee Work and Member Development programme.

(2) The Committee agreed on the importance of detailed consideration being given to the Internal Audit Quality Assurance assessments at the next meeting. The Head of Internal Audit advised that this would be included in the Internal Audit progress report.

(3) RESOLVED that approval be given to the proposed forward work programme and Member Development programme to October 2015.

37. Update on 2014/15 Budget Savings programme
(Item 6)

(1) The Corporate Director of Finance and Procurement updated the Committee on the progress in making the revenue budget savings 2014/15. He drew attention to

the improved position following management action in respect of the projected overspend which now stood at between £5m and £6m.

- (2) RESOLVED that the progress on the 2014/15 revenue budget savings be noted for assurance.

38. Facing the Challenge Transformation Programme governance arrangements
(Item 7)

(1) The FTC Review Team Co-ordinator reported on the current governance arrangements for the Facing the Challenge Transformation Programme and proposed a governance framework for future companies in which KCC had an interest. She confirmed in respect of paragraph 2.9 that the report to Trading Activities Sub-Committee on any proposal for KCC to have an interest in a company of 50% or below, would contain a full explanation of why it was not proposed for KCC to have a controlling interest.

(2) The Committee agreed that paragraph 2.8 on the stages of the engagement process should be deleted as the process described incorporated informal discussions within a political group as a part of a formal process.

(3) RESOLVED to note for assurance:-

- (a) the governance arrangements to be adopted during the Market Engagement and Service Reviews (subject to (2) above);
- (b) that full Business Cases will be presented to the Trading Activities Sub-Committee whenever it is proposed to set up a new company; and
- (c) that regular update reports will be presented to the Committee on the progress of the Transformation Programme.

39. Commercial Services Policies
(Item 8)

(1) The Head of Internal Audit introduced a report summarising the key differences between the policies of Kent County Council and those recently introduced by Commercial Services.

(2) Members of the Committee commented on the desirability of achieving a homogenous set of policies for each company and for these policies to mirror those of KCC wherever possible. The Committee expressed particular concern over the Commercial Services policy which allowed the acceptance of some gifts and hospitality up to £75 without prior authorisation or recording on the Gifts and Hospitality register. The Committee therefore requested a further report setting out how these issues were being developed.

(3) RESOLVED that:-

- (a) subject to (2) above, the report be noted for assurance;
- (b) the views expressed by the Committee be conveyed to Commercial Services for their consideration; and
- (c) a further report be submitted to the Committee.

40. Treasury Management Update
(Item 9)

(1) The Cabinet Member for Finance and Business Support and the Treasury and Investments Manager presented an update on treasury management issues. This included the rationale for the move to greater investment in Covered and Corporate Bonds.

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

41. External Audit Annual Audit Letter 2013/14
(Item 10)

(1) Ms Liz Olive from Grant Thornton UK LLP provided a summary of the most important findings from the external audit work in respect of the 2013/14 audit year. She reaffirmed the unqualified opinion on the 2013/14 financial statements, including the Kent Pension Fund, and the unqualified value for money conclusion.

(2) RESOLVED that:-

- (a) the Annual Audit Letter be received for assurance, fulfilling the requirement for the External Auditors to prepare and issue an Annual Audit Letter to the County Council; and
- (b) the Committee's thanks and appreciation of the Finance and Procurement staff be recorded for their work in securing an unqualified opinion from the external auditors.

42. External Audit Update
(Item 11)

(1) Mr Paul Hughes from Grant Thornton LLP reported on progress on delivering their responsibilities for 2013/14 and also on emerging issues and developments.

(2) The Corporate Director of Finance and Procurement drew the Committee's attention to the cost and complexity of meeting the requirements of LAAP Bulletin 100 (Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets).

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

43. Internal Audit Benchmarking results

(Item 12)

(1) The Head of Internal Audit summarised the 2013/14 Internal Audit Benchmarking results.

(2) RESOLVED that the contents of the report be noted in relation to 2013/14.

44. Internal Audit Progress Report

(Item 13)

(1) The Head of Internal Audit summarised the outcomes of Internal Audit activity for the 2014/15 financial year to the end of September 2014.

(2) RESOLVED to note:-

(a) progress against the 2013/14 Internal Audit Plan and the proposed amendments to it; and

(b) the assurances provided in relation to the Council's control environment as a result of the outcome of Internal Audit work completed to date.

45. Anti-Fraud and Corruption progress report

(Item 14)

(1) The Counter Fraud Manager provided a summary of progress of anti-fraud and corruption as well as the outcomes of investigations concluded since the last meeting of the Committee in July 2014.

(2) RESOLVED that the progress of prevention and investigation of anti-fraud and corruption activity be noted.