

## KENT COUNTY COUNCIL

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber - Sessions House on Wednesday, 25 July 2018.

PRESENT: Mr N J D Chard (Chairman), Mr R A Marsh (Vice-Chairman), Mrs R Binks, Mr R H Bird, Mr D L Brazier (Substitute for Miss C Rankin), Mr G Cooke, Mr D Farrell, Mrs S V Hohler, Mr H Rayner and Mr M E Whybrow

ALSO PRESENT: Miss S J Carey, Mrs M E Crabtree, Mr R W Gough, Ms S Hamilton and Mr E E C Hotson

IN ATTENDANCE: Mr R Patterson (Head of Internal Audit), Ms S Buckland (Audit Manager), Mr G Singh (Barrister), Mrs C Head (Acting Deputy S151 Officer and Head of Finance Operations), Miss E Feakins (Chief Accountant), Mrs A Mings (Treasury and Investments Manager), Ms S Cheeseman (Business Manager), Mr D Whittle (Director of Strategy, Policy, Relationships and Corporate Assurance), Mr M Scrivener (Corporate Risk Manager), Mr M Rolfe (Trading Standards Manager (East)), Mrs R Spore (Director of Infrastructure) and Mr A Tait (Democratic Services Officer)

### UNRESTRICTED ITEMS

**27. Minutes**  
*(Item 4)*

RESOLVED that the Minutes of the meetings held on 24 April 2018 and 7 June 2018 are correctly recorded and that they be signed by the Chairman.

**28. Committee Work and Member Development Programme**  
*(Item 5)*

(1) The Head of Internal Audit provided an update on the forward Committee Work and Member development programme following best practice guidelines in relation to Audit Committees.

(2) RESOLVED that approval be given to the forward Committee Work programme and Member Development programme set out in the report.

**29. Annual review of the Committee's Terms of Reference**  
*(Item 6)*

(1) The Committee considered a report on the Committee's terms of Reference, including a comparison of them to those of the recently published

CIPFA Position Statement on Audit Committees. This report also recommended the abolition of its Trading Activities Sub-Committee and the amendment of the Committee's Terms of Reference to subsume the activities of its Sub-Committee into the Committee.

(2) The Barrister confirmed that the revised Terms of Reference for the Committee would be submitted to the County Council for its approval.

(3) RESOLVED that:-

- (a) the outcomes of the review of the Terms of Reference and their comparison to the CIPFA Position Statement be noted;
- (b) the Trading Activities Sub-Committee be deleted from the County Council's governance arrangements; and
- (c) approval be given to the amended Terms of Reference for approval by the County Council.

**30. External Audit Annual Findings Report 2017/18**  
(Item 7)

(1) Mr Andy Conlan from Grant Thornton UK LLP presented the External Audit Findings report.

(2) During discussion of this item, the Committee discussed the possible implications of legal action being taken in respect of Lender Option Borrower Option loans (LOBOs). Mr R H Bird and Mrs R Binks informed the Committee that they had previously been professionally involved with LOBOs but never in relation to the County Council. Although this did not qualify as a Disclosable Pecuniary Interest or an Other Significant Interest, they refrained from participating in the discussion of this topic.

(3) RESOLVED that:-

- (a) the conclusions of the Audit Findings Report on value for money and the Council's financial resilience be noted for assurance;
- (b) the audit opinion be noted for assurance; and
- (c) approval be given to the draft management response to the action plan.

**31. External Audit Pension Fund Audit Findings Report 2017/18**  
(Item 8)

(1) Mr Andy Conlan from Grant Thornton UK LLP presented the External Auditor's Annual Pension Fund Audit Findings report.

(2) RESOLVED that the findings in the report be agreed.

**32. Draft Statement of Accounts 2017/18**

*(Item 9)*

(1) Mrs M Crabtree, Deputy Cabinet Member for Finance introduced the Draft Statement of Accounts. She asked the Committee to record its thanks to the Finance Team and to Grant Thornton for the speed and quality of their work in bringing the accounts forward. This was agreed.

(2) RESOLVED that:-

(a) approval be given to the Statement of Accounts for 2017-18 and to the Letters if representation;

(b) the recommendations made in the Annual Findings Report be noted; and

(c) the Finance Team and Grant Thornton be thanked for the speed and quality of their work in bringing the accounts forward.

**33. Schools Audit Annual Report**

*(Item 10)*

(1) The Committee considered a report which summarised the Schools Financial Services (SFS) compliance programme and other activities undertaken during 2017-18 which enabled the Chief Finance Officer to certify that there was a system of audit for schools which gave adequate assurance over financial management standards in schools.

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

**34. Internal Audit Annual Report and Opinion for 2017/18**

*(Item 11)*

(1) Miss S J Carey, Cabinet Member for Customers, Communications and Performance and the Head of Internal Audit introduced the report on the outcomes and themes from Internal Audit and Counter Fraud work for 2017-18 and the resultant annual opinion on the Council's systems of governance, risk management and internal control, together with details of the related performance of the Internal Audit and Counter Fraud Unit in delivering this work.

(2) The Committee thanked the Internal Audit Team, particularly for the high proportion of audit issues actioned by departments.

(3) RESOLVED that:-

- (a) the outcomes from the 2017/18 audit and counter fraud work and the resultant substantial opinion to the Annual Governance Statement be noted; and
- (b) the Internal Audit Team be thanked, particularly for the high proportion of audit issues actioned by departments.

**35. Update on 2018/19 Savings Programme**  
(Item 12)

- (1) The Committee considered a report on the position on progress towards the 2018/19 budget savings.
- (2) The Acting Deputy 151 Officer and Head of Finance Operations agreed to provide details to the Committee of the percentage of Red savings in 2016/17.
- (3) RESOLVED that the progress on the 2018-19 revenue budget savings be noted for assurance.

**36. Treasury Management Annual Review 2017/18**  
(Item 13)

- (1) Mrs M Crabtree, Deputy Cabinet Member for Finance and the Treasury and Investments Manager summarised Treasury Management activities in 2017/18.
- (2) RESOLVED that approval be given to the report for submission to the County Council.

**37. Corporate Risk Register**  
(Item 14)

- (1) The Corporate Risk Manager presented the Corporate Risk Register to the Committee together with an overview of the changes since it had last been presented and an outline of the ongoing process of monitoring and review.
- (2) The Corporate Risk Manager replied to a question from Mr Bird by explaining that the question of whether highways maintenance should be identified as a Corporate Risk was due to be discussed during the Autumn Review.
- (3) RESOLVED that the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register be noted.

**38. RIPA Report on surveillance, covert human intelligence source and**

**telecommunications data requests carried out by KCC between 1 April  
2017 and 31 March 2018**  
*(Item 15)*

- (1) The Committee considered a report on surveillance, the use of covert human intelligence sources (CHIS) and access to telecommunications data governed by the Regulation of Investigatory Powers Act 2000 (RIPA) during the 2017/18 business year.
- (2) RESOLVED that the use of RIPA techniques during the 2017/18 business year be noted for assurance.

**EXEMPT ITEMS**  
**(Open access to Minutes)**

*(Members resolved under Section 100A of the Local Government Act 1972 that the public be excluded for the following business on the grounds that it involved the likely disclosure of exempt information as defined in paragraphs 5 and 6 of Part 1 of Schedule 12A of the Act.)*

**39. The Education People**  
*(Item 17)*

(1) The Committee considered a report on the establishment of a Local Authority trading Company (LATC) which had been agreed by Cabinet on 27 March 2017. The report sought recommendations on the proposed governance arrangements as part of the establishment of the Company.

(2) RESOLVED that:-

- (a) the Cabinet Member for Children, Young People and Education be informed of the Committee's concerns over:-
  - (i) the possibility of a cross-subsidy by KCC and a less than private sector commercial loan arrangement;
  - (ii) the manner in which the Chairman and Vice-Chairman of the company board were appointed; and
  - (ii) the apparent lack of commercial rigour and trading expertise within the current make up of the Company Board; and
- (b) a progress report be given to the Committee meeting in October 2018 which the Chairman and Vice-Chairman of the Company will be invited to attend.

**40. Property Income Management - Update Report**  
*(Item 18)*

(1) Mr EEC Hotson, Cabinet Member for Corporate and Democratic Services introduced a report updating the Committee on actions taken to ensure that Property Income Management was progressing towards effectiveness and within acceptable risk parameters.

(2) The Head of Internal Audit informed the Committee that there would be a formal follow-up audit during the year.

(3) The Director of Infrastructure informed the Committee that a review was also being carried out by the Strategic Commissioner.

(4) The Committee agreed to receive a progress report in January 2019 following completion of the review and the formal audit follow-up.

(5) RESOLVED that:-

- (a) the progress made since the Property Income Management Audit report be noted together with the further improvement to ensure that the Council's Property Income Management process is robust; and
- (b) an update report be submitted to the Committee in January 2019 following the outcomes of the Strategic Commissioner's review and the formal Internal Audit follow-up.