

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, 16 May 2024.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr T Bond, Mr N J D Chard, Mr P C Cooper, Dr D Horne, Mr M A J Hood and Mr C Passmore (Vice-Chairman)

ALSO PRESENT: Mr P J Oakford and Mr D Jeffrey

IN ATTENDANCE: Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Mr M Scrivener (Head of Risk and Delivery Assurance), Mr J Flannery (Counter Fraud Manager), Mr Parris Williams, Ms S Surana (Investments, Accounting and Pooling Manager), Miss K Reynolds (Democratic Services Officer), Ms C Maynard (Head of Commercial and Procurement), Mr R Benjamin (Internal Audit Manager), Debbie (Deputy Audit Manager), Mr R Smith (Audit Manager), Ms A Palmer (Principle Auditor) and Ms S Draper (Counter Fraud Specialist)

UNRESTRICTED ITEMS

201. Apologies and Substitutes

(Item 2)

Apologies for absence had been received from Mr Webb. There were no substitutes present.

202. Declarations of Interest in items on the agenda for this meeting

(Item 3)

There were no declarations of interest.

203. Minutes of the meeting held on 19 March 2024

(Item 4)

RESOLVED that the minutes of the meeting held on 19 March 2024 were a correct record and that a paper copy be signed by the Chairman.

204. Update on External Audit Governance Review

(Item 5)

Emeritus Professor Catherine Staite was in attendance for this item.

1. The General Counsel provided Members with an update on the activity that was being undertaken in response to the External Audit Governance Review.

Significant progress had been made against a number of the recommendations. Members were reminded of the tracking mechanisms in place which enabled them to regularly review the governance-related actions. The General Counsel told Members that the Governance Working Party was considering the response to specific recommendations and was taking into account research into other Councils.

2. RESOLVED to note the update on the External Audit Governance Review.

205. Governance and Audit Committee Annual Report to County Council *(Item 6)*

1. The General Counsel and the Chair introduced the report which set out the proposed governance timescales for the Governance and Audit Committee Annual Report to County Council. Committee Members were told that they would have sufficient opportunity to make comments on the draft before it is finalised ahead of the 18 July 2024 County Council meeting.
2. RESOLVED to delegate authority to Officers to finalise the Governance and Audit Committee's Annual Report to County Council in consultation with the Chair.

206. Corporate Risk Register *(Item 11)*

The Leader was in attendance for this item.

1. The Head of Risk and Delivery Assurance and the Leader introduced the paper which included a summary of key points raised from the recent presentation of the corporate risks to relevant Cabinet Committees for scrutiny. It was confirmed that the Governance & Audit Committee would receive more regular updates throughout the year on the Corporate Risk Register, given the challenging risk environment that the Council is operating within. Members were reminded of the principles that had been developed to aid or reinforce decision-making for inclusion onto or off the Corporate Risk Register. The distinction between risk management and risk assurance was highlighted.
2. In response to questions and comments from Members it was said that:
 - a) Given the Council's financial position, it was not possible to carry out preventative maintenance on corporate estate buildings. However, the portfolio of real estate continued to be under review as part of the measures to manage this risk.
 - b) Regarding "CRR0042: Border Fluidity, infrastructure and regulatory arrangements", there was significant work being undertaken to control this risk, however, there were elements that could only be addressed by Government.
 - c) Risk Owners for the corporate risks were regularly asked to review the timescales for the management of risks to "target" residual risk ratings. It was said that the effectiveness of this process was being assessed and it was an area of continuous improvement.
 - d) The Committee agreed to, as part of the agenda setting process, consider whether "CRR0015: Sustainability of the Social Care Market" should be scrutinised in depth at a later date as there were a number of questions that required a response from the Directorate.

3. RESOLVED to note the report for assurance.

207. Counter Fraud Annual Report 2023-24

(Item 7)

1. The Counter Fraud Manager introduced the Counter Fraud Annual Report 2023-2024 and the Counter Fraud Action Plan for 2024-25. The report detailed the irregularity referrals received from 01 April 2023 to 31 March 2024 which were higher than those received in the same period in 2022/23. Members were told that this could be attributed to a greater awareness of the need to report irregularities following significant work from the Counter Fraud team to raise awareness. It was said that the Blue Badge scheme and the direct payment scheme were inherently more susceptible to irregularities.
2. Sections of the report were highlighted to the Committee, including the increase in reported irregularities relating to procurement in the Adult Social Care and Health directorate. Members were reminded that it was important to consider the operating environment: the volume, value and complexity of the circumstances were likely to lead to errors.
3. In response to questions and comments from Members it was said that:
 - a) The National Fraud Initiative (NFI) was a preventative exercise that matched electronic data within and between public and private sector bodies. It was said that services had other data analytics in place to help prevent/detect fraud and error. The number of matches related to duplicate creditors detailed in 'Appendix D: National Fraud Initiative', included a high number of false positives due to the nature of invoicing at the Council.
 - b) The Counter Fraud Manager highlighted the importance of both reactive and proactive counter fraud activity. As part of the preventative work, there were ongoing discussions with Governance, Law and Democracy as to how to embed fraud risk assessments in the key decision process.
 - c) Fraud awareness training was delivered across the Council and districts, and sought to strengthen the anti-fraud culture (including failure to prevent fraud). It was confirmed that the formal awareness training was accompanied by informal training through regular engagement with all levels of staff and management in the Council. The discrepancy in the number of referrals received via District/ Borough Council parking teams were said to reflect the anti-fraud culture of those teams.
 - d) In relation to concerns raised regarding the nature of payroll related fraud, Members were assured that the Counter Fraud team engaged with the relevant managers to establish the reasons why the errors occurred and to ensure that the correct processes were followed in the future. Regarding the return of laptop equipment, the Head of Internal Audit confirmed that the planned "ICT04-2024 Joiners, Mover and leavers" audit would provide Members with assurances once completed.
4. RESOLVED to:
 - a) Note the Counter Fraud Update report for 2023/24 and reported irregularities.
 - b) Note the progress of the Counter Fraud Action Plan for 2023/24.
 - c) To review, comment on and approve the Counter Fraud Action Plan for 2024/25.

208. Global Internal Audit Standards Update

(Item 8)

1. The Internal Audit Manager introduced the report which outlined the key impacts and changes brought by the new Global Internal Audit Standards effective from January 2025. It was said that the Internal Audit Team was conducting a self-assessment to identify gaps in compliance with the new standards. An Improvement Plan would be presented to the Governance and Audit Committee at a future meeting.
2. RESOLVED to note the New Global Internal Audit Standards and their implications.

209. Internal Audit Progress Report

(Item 9)

The Cabinet Member for Community and Regulatory Services was in attendance for this item.

1. The Internal Audit Manager introduced the report which detailed the summaries of completed Audit reports for the period January 2024 to April 2024.
2. In response to questions and comments from Members it was said that:
 - a) The follow-up work on “RB08-2024 - Individual Contracts on Care Providers Follow-up DRAFT” identified that of the issues being reviewed, none had been implemented in full and therefore remained open. Members raised concerns that there was a failure to fully implement any of the recommended actions. Members were assured that the management actions were comprehensive in nature and would be kept under review, however, sought further assurance from Management regarding the timescales for implementation.
 - b) Regarding “RB05-2024 - Hospital Discharge”, Members sought further clarification as to how value for money would be achieved and monitored on the Hospital Discharge care packages. It was said that, since the publication of the agenda pack, Internal Audit had received management responses confirming that a joint NHS and KCC brokerage system would be implemented in response to the findings and recommendations of this audit.
 - c) In relation to “RB30-2024 - Sundry Debt Recovery” and the high level of sundry debt invoices that are cancelled, it was said that the guidance for staff would be updated to ensure that these invoices were classified correctly. There were new processes and authorisation levels being introduced as part of the management response and these actions were expected to bring the number of cancelled sundry debt invoices down.
 - d) Members welcomed the “Gypsy and Traveller Follow-up” audit and the noted the significant work which had been undertaken to address the issues raised in the original audit review.
3. RESOLVED to note the Internal Audit Progress Report for the period January 2024 to April 2024.

210. Internal Audit Rolling Plan

(Item 10)

1. The Head of Internal Audit introduced the report which detailed the proposed Rolling Internal Audit Plan for 2024/25; the Internal Audit Charter, which underpins the plans and practice of the Internal Audit team and the key performance indicators to be tracked and monitored during 2024/25. It was said that the introduction of the new Global Internal Audit Standards in January 2025 may necessitate changes to the Internal Audit Charter. Should changes be required, these would be brought back to the Governance and Audit Committee for approval.
2. In response to a question regarding the introduction of the Family Hub model, Members were reminded that the rolling 6-month plan allowed a greater degree of flexibility and the opportunity to incorporate changing and emerging risks into the Plan if necessary. When asked about the prioritisation of 'Managers - People Management Responsibilities' audit, Members were told that the planned Audits may be re-prioritised in due course using the risk-based assessment and evaluation methodology.
3. RESOLVED to:
 - a) Agree the proposed Rolling Internal Audit Plan for 2024/25
 - b) Approve the Internal Audit Charter
 - c) Note the Key Performance Indicators for 2024/25

211. External Audit Progress Report

(Item 12)

1. Mr Parris Williams introduced the report which provided an update on the current progress of external audit work and a summary of emerging national issues and developments. Members were reminded that the planning procedures for the 2023/24 audit had been completed and the planned timescales for the 2023/24 External Audit reports were highlighted.
2. Members requested that an interim progress report be provided to the Committee on the recommendations made in the 2022/23 External Audit Annual Report.
3. RESOLVED to note the report for assurance.

212. External Audit Plan for Kent Pension Fund 2023-24

(Item 13)

1. Mr Parris Williams introduced the report which set out the indicative external audit plan for the Kent Pension Fund for 2023/24. It was said that this was largely consistent with the prior year. The significant risks were highlighted to Members and the approach to materiality was explained.
2. RESOLVED to note the report for assurance.

213. Informing the Audit Risk Assessment for Kent Pension Fund 2023-24

(Item 14)

1. Mr Parris Williams introduced the report which detailed the Kent Pension Fund's management responses to a set of standard questions relating to key areas of the auditor risk assessment.

2. RESOLVED to agree that the responses were consistent with the Committee's understanding. There were no further comments made.

214. Counter Fraud Annual Report 2023-24 - Exempt
(Item 15)

1. The Counter Fraud Manager introduced the report which detailed the irregularities that had been deemed to be exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as they related to the financial or business affairs of the Council. Regarding a No Recourse to Public Funds (NRPF) case, Members were told that lessons had been learnt for future dealings with the integrated care board (ICB) and that formal escalation processes had been put into place to mitigate the risk of future cases of a similar nature. It was said that work was being undertaken to ensure that the process through which Adult Social Care and Health financial assessments were made was as robust as possible.
2. RESOLVED to note the Counter Fraud Update report for 2023/24 and reported irregularities.

215. Internal Audit Progress Report - Exempt Items
(Item 16)

1. The Head of Internal Audit introduced the report which detailed the summaries of the Audit reports for "RB20-2024 – No Recourse to Public Funds – Specific Case Review (DRAFT)" and "ICT03-2024 – Supply Chain Cyber Security (DRAFT)".
2. RESOLVED to note the Internal Audit Progress Report for the period January 2024 to April 2024.