

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, 3 July 2025.

PRESENT: Ms C Black, Dr D Horne, Mr A Brady, Mr M Brown, Mr A Cecil, Mr R Palmer, Mr M Paul, Ms I Kemp, Mr O Bradshaw, Mr J Finch, Mr M Munday, Mr G R Samme and Mr M A J Hood

IN ATTENDANCE: Mr B Collins (Deputy Leader of the Council) Mr P Chamberlain (Deputy Cabinet Member for Corporate and Traded Services)

ALSO PRESENT: Ms A Beer (Chief Executive), Mr J Betts (Interim Corporate Director of Finance), Mr B Watts (General Counsel), Mr R Smith (Corporate Director for Adult Social Care), Ms S Hammond (Corporate Director for Children, Young People and Education), Mr K Kasaven (Director of Children's Countrywide Services), Mr D Whittle (Director for Strategy Policy Relationships and Corporate Assurance) and Mr S Jones (Corporate Director for Growth, Environment and Transport)

Mr T Godfrey (Senior Governance Manager), Mr M Scrivener (Head of Risk and Delivery Assurance), Ms D Chisman (Audit Manager), Mr R Smith (Audit Manager), Ms L Taylor (Deputy Audit Manager), Ms K Herbert (Deputy Audit Manager), Mr J Flannery (Counter Fraud Manager), Ms H Bhat (Counter Fraud Technician), Ms V Beck (Counter Fraud Technician), Ms D Collins (Counter Fraud Technician), Mr K Holyoake (Counter Fraud Specialist, Mr C Ihonor (Intelligence Assistant), Mr J Muteham (Intelligence Analyst)

Ms Clare Maynard (Chief Procurement Officer and Head of Commercial Services and Procurement Division), Mr M Bridger (Strategic Lead for Commercial Services and Improvement), Mr A Luke (Strategic Commercial and Procurement Lead for People), Mr P Dossett (Grant Thornton), Mr Parris Williams (Grant Thornton), Ms S Surana (Pension Fund and Treasury Investments), Mr J McKay (Corporate Accountant), Ms Cath Head (Head of Finance)

VIRTUAL ATTENDANCE: Mr A Shade (Principal IT Auditor), Ms L Nutley (Grant Thornton).

UNRESTRICTED ITEMS

306. Election of Chair *(Item 2)*

It was proposed and seconded that Mr Michael Brown be elected as Chair of the Committee. There were no further nominations.

RESOLVED that Mr Michael Brown be elected Chair of the Committee.

307. Election of Vice-Chair

(Item 3)

It was proposed and seconded that Mr Martin Paul be elected as Vice -Chair of the Committee. There were no further nominations.

RESOLVED that Mr Martin Paul be elected Vice-Chair of the Committee.

308. Apologies and Substitutes

(Item 4)

Apologies were received from Mr H Rayner.

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

(Item 5)

There were no declarations of interest.

310. Minutes of meeting held on the 20 March 2025

(Item 6)

Ms Black wanted it recorded that, during the last Committee meeting, the previous Vice Chair, Councillor Passmore, gave his sincere thanks to Councillor Binks for her services to the Committee as Chair.

It was held that the minutes of the meeting held on the 20 March 2025 were a correct record and a copy to be signed by the Chair.

311. 2024/2025 External Audit Plan for Kent Pension Fund

(Item 7)

1. The item was presented by Mr Parris Williams. It was explained that the report initially came to the Committee in March 2025 however due to the change in Membership, the item returned to make the Committee aware of the Audit plan for 2024 – 2025. The report was taken as read and the key points were highlighted for Members.
2. In answer to Members' questions and comments, the following was said:
 - a) Any transfer of Town Council pensions into the County Pension fund would be picked up as part of the external auditor's testing.
 - b) The Interim Corporate Director of Finance, Mr John Betts, explained that, in general, Districts were already part of the pension fund and so would not materially impact on the audit of those accounts.

- c) Mr Betts clarified that the identified risk with the Oracle Programme was accepted. Going forwards with the new version of the programme, revisions were being undertaken to avoid these risks occurring in the future.
- 3. RESOLVED the Committee noted the 2024-2025 External Audit Plan for the Kent Pension Fund

312. Corporate Risk Register (Item 8)

- 1. The item was presented by the Head of Risk and Delivery Assurance, Mr Mark Scrivener.
- 2. Mr Scrivener highlighted to Members that a previous information briefing had taken place around the Committees' purposes and responsibilities in relation to risk management and confirmed that a training session as part of the Member Induction was scheduled for later in the month. In addition, a specific briefing could be provided for elected Members in relation to the Corporate Risk Register, ahead of a future presentation of the register.
- 3. Some of the key points of the report included the following:
 - a) The covering report provided an overview of any changes to the Register. This included any additions or removal of risks, any change of ratings or revisions.
 - b) Mr Scrivener drew Members' attention to Appendix 1 which contained the details of the Register and Appendix 2 which provided headlines of the directorate risks below corporate level.
 - c) It was confirmed that Cabinet Committees and officer forums would discuss details of the risks throughout the year. This report was intended to provide assurance regarding a broader approach to risks.
 - d) Mr Scrivener confirmed that his team were currently looking at the control element to see where the key controls resided and what assurances were given against them. It was confirmed that the internal audit function used the risk register as one of the sources of information to guide their audit work.
- 4. In answer to Member questions, the following was said:
 - a) The Corporate Director for Growth, Environment and Transport and Senior Responsible Officer for the Oracle Cloud Project, Mr Simon Jones confirmed that the programme was due to go live on 18 August 2025 for models relating to finance and some procurement activities. Within the organisation, several business readiness groups and training / familiarisation with the new system had taken place.

In terms of product testing, user acceptance testing was currently being conducted, and the test scripts operated at around 88% success rate. At the end of July 2025, the organisation would check the progress of the product to ensure it was capable of operating when the programme went live in August.

A system cutover would take place prior to going live, which involved a 10 day period where data would be migrated onto the new system and initial safety testing would be undertaken within that, ahead of making a final decision to cut over and go live for all users.

- b) It was discussed and confirmed that interim updates on the progress of the Oracle Cloud implementation could be delivered to the Committee ahead of the next scheduled meeting in September, by way of an informal briefing. These would likely take place after critical milestones in the delivery of the programme had been achieved.
- c) A Member asked a specific question concerning how the risk rating was devised relating to the corporate risk of fraud and error. Mr Scrivener explained that, when looking at risk ratings, the current risk exposure was assessed, which considered the controls in place to manage the risk. It was further explained that if there was an inherent rating, the risk would be high, however as there were controls in place this reduced the fraud risk and error to an amber level.
- d) The Head of Counter Fraud, Mr James Flannery, explained that within the reports around fraud and error, there were irregularities and on occasion it was not to the benefit of an individual and was classified as an error, however there were certain circumstances where on the balance of probabilities, it was fraudulent behaviour. Issues arose where it was considered not in the public interest to progress further to criminal investigation and recovery, due to the value of the funds involved. Mr Flannery confirmed that he would revisit the way fraudulent activity and error was reflected in future reports.
- e) The General Counsel, Mr Ben Watts, clarified that the Authority did take prosecutions on some cases where it was appropriate in relation to fraud and there was a recognition of a deterrent element which created a broader saving.
- f) In answer to a Member's question regarding risk CR0015 – Sustainability of the Social Care Market, with a focus on the change in Employer National Insurance and new Visa restrictions, the Corporate Director for Adult Social Care, Mr Richard Smith confirmed that the directorate continued to closely monitor the relationship with care providers and no intelligence had been received to indicate that providers had not been able to meet payroll, or had to close businesses due to the changes in employer National Insurance.
- g) In answer to a Member's questions regarding Peppercorn Rents and PFIs, it was confirmed that a note would be taken of these specific requests so the Executive could consider them as part of their policy formation, as well as ensuring the relevant Cabinet Member has the opportunity for consideration.
- h) Mr Scrivener confirmed he would liaise with ICT Compliance and Risk Team in relation to CyberEssential Plus external accreditation for larger supply chains.
- i) The Director of Strategy and Policy, Mr David Whittle confirmed that Local Government Reform (LGR) risk was live and currently being debated and whilst it had not yet been codified, there would be a form of an LGR risk added to the Corporate Risk Register at the appropriate time. By way of a

timetable, Mr Whittle explained that a paper would be brought to the relevant Cabinet Committee in the first instance and progressed from there.

- j) Mr Betts confirmed the reason the risk level for savings and income had reduced was due to the additional governance and monitoring steps put in place for the current financial year to get savings delivered and mitigating actions could be put in place to reduce the level of overspend.
- k) Mr Betts confirmed that the Authority had been working with the Commissioners in Adult Social Care and the providers to understand the pressures connected with the increase in Employers National Insurance, however it was explained to Members that the Authority could only increase the total amount of income available by the referendum thresholds for Council Tax.

5. RESOLVED the Committee noted the report for assurance.

313. Update on the preparation of the Annual Governance Statement 2024/25

(Item 9)

- 1. The General Counsel, Mr Ben Watts, provided a PowerPoint Presentation to the Committee. There were no questions or requests for clarification.
- 2. RESOLVED the Committee noted the update on the Annual Governance Statement 2024/2025.

314. Roles and Responsibilities of External Audit - Visual Presentation Item (no papers)

(Item 10)

- 1. Mr Paul Dossett and Ms Lucy Nutley from Grant Thornton presented the item to the Committee via PowerPoint presentation.
- 2. In answer to questions from Members, the following was said:
 - a) Mr Betts, confirmed that the local audit market changed around 10 years ago when the Audit Commission was disbanded by Central Government. Prior to this, local Authorities were unable to choose their audit firms. It was confirmed that since, the process was run an independent third party, the Public Sector Audit Appointments (PSAA), who undertook all the market engagement on behalf of the whole of local Government, to prevent a situation whereby some local authorities may not be able to appoint an external auditor. Mr Betts confirmed that the local Authority were not permitted to choose their own auditor.
 - b) Mr Betts agreed that having an independent third party appoint an external auditor provided another level of scrutiny to ensure no conflicts of interest arose and it also ensured that the auditing process worked for the whole country.

3. There was no recommendation, the item was for Members information.

315. 2024/2025 External Audit Plan for Kent County Council
(Item 11)

1. The item was presented by Mr Paul Dossett. The paper was taken as read and the key points were highlighted for Members' attention.
2. In answer to Member questions, the following was said:
 - a) The amount of money Kent County Council lent to the local authority owned companies was immaterial in total and related more to working capital. Kent County Council companies provided a range of services and were relatively small in scale. Mr Dossett confirmed that the external auditors examined the accounts and confirmed they did not present a concern, due to their size. It was confirmed that the companies owned by the local authority had their own independent auditors who would highlight any growing concerns.
 - b) Mr Watts commented that a briefing on Governance Structure, as part of the new Member medium-term induction plan could be arranged. It was clarified that the shareholder board, a sub-committee of the Council's Cabinet Committee, was due to meet before the end of the year and calendar invites would be circulated. Mr Watts also explained to Members that information about the performance of outside companies came to the Committee on an annual basis.
 - c) Mr Watts confirmed that the performance and asset value of the outside companies was such that they generated a net contribution to the Council on an annual basis. It was explained that the Authority had a single holding company and the majority of the wholly owned companies were arranged under this.
 - d) It was explained to Members that they would have the opportunity to participate in a site visit of the wholly owned companies and receive a detailed briefing which set out how the companies operated and their structure.
 - e) Mr Dossett confirmed that a commentary would be contained in their external auditor's findings report covering the implementation of the Oracle Cloud Programme and assured the Committee that ongoing work was being performed by Grant Thornton's IT Team, who focused on the quality of the control environment and whether they had been appropriately developed.
 - f) It was explained that the external auditors would not focus on operating effectiveness because their audit approach was a substantive one and did not focus or rely on controls, instead the focus was on year- end substantive testing.
 - g) Mr Dossett explained that the external auditors had regular dialogue with officers and if concerns were raised, then follow up visits from IT specialists would be arranged to investigate the issues. It was pointed out that internal

audit would have a role if any operational effectiveness concerns were identified.

- h) It was confirmed that Kent County Council was not under the Exceptional Financial Support Programme (EFS) and did not have general permission to sell assets and charge them to revenue. The Section 151 Officer oversaw the disposal of all assets, and the Authority needed to demonstrate best value in the disposal. Mr Dossett confirmed that assets disposal was examined as part of the audit process and if anything looked irregular after scrutiny, it would prompt a formal audit question. It was confirmed that the Authority was not in a position whereby there was a need to sell assets for revenue purposes.
 - i) Mr Betts clarified that in some limited circumstances the local Authority could use capital receipts to fund some elements of revenue, where that revenue funding is designed to produce a saving later, as the Authority had done when setting this year's budget.
 - j) Mr Betts explained that the Authority was working with external auditors in respect of IFRS 16 and on Grant Thornton's advice, all assets had been reviewed whereby IFRS 16 could be on lease, including issues around peppercorn rents and how PFI was managed. These would be effectively reflected in the accounts.
 - k) Mr Dossett confirmed that the external auditor's assessment of the financial sustainability of the Authority would be provided by 30 November 2025. In addition, he confirmed that if Members wanted to deep dive into any areas, it would be a judgement for the Committee and they should speak to the relevant officers.
3. RESOLVED the Members noted the external audit plan for Kent County Council for 2024-2025.

316. Commercial and Procurement Oversight Board Update Report (Item 12)

- 1. The report was presented by the Chief Procurement Officer and Head of Commercial Services Procurement Division.
- 2. The report was taken as read and some of the key points were highlighted for Members
- 3. In answer to Member's questions, the following was said:
 - a) The Contract Management Review Group was historically co-chaired by Ms Maynard and a Member of the administration. Mr Chamberlain had agreed to be the Co-Chair and meetings were due to recommence in September 2025.
 - b) The terms of reference for the Contract Management Review Group were clear and examined the gold and silver contracts midpoint and prior to extension, to ensure the contracts were fit for purpose. In additional KPI (key

performance indicators) had been measured and providers were delivering in terms of the contract let.

- c) It was confirmed that contracts were not automatically extended; market testing was carried to ensure each specific contract was fit for purpose moving forward.
- d) Ms Maynard was content to bring information regarding contract to the Committee's agenda, if Member felt this would be useful.
- e) The terms of reference for the Contract Management Review Group provided that the group retain a mix of political makeup; Ms Maynard confirmed that she and Mr Chamberlain would consider who the Members of the group should be but would welcome offers of attendance.

4. RESOLVED the Committee considered and noted the report.

317. Counter Fraud Annual Report 2024-25

(Item 13)

- 1. The report was present by the Counter Fraud Manager, Mr James Flannery.
- 2. Mr Flannery explained that the report provided a summary of activity which occurred during the 2024-2025 financial year. The key points were highlighted for specific Member interest.
- 3. In answer to Member questions, the following was said:
 - a) The Counter Fraud Team supported management in the full recovery of any losses identified. Improvement had been seen in obtaining evidence that showed where invoices had been raised and that recovery was occurring. Whilst actual repayments were not tracked (as this lay within the debt recovery side of the process) Counter Fraud officers had started tracking some of the irregularities which occurred in the previous year, due to a Freedom of Information request. The results of this could be shared with the Committee.
 - b) Management and the Debt Recovery Team were ultimately responsible for recovery and tracking of specific debt sums. Items not discussed in open session, would be covered in the exempt section of meeting.
 - c) Spikes in referrals from staff in year 2023 -2024 were likely a direct correlation of the training sessions delivered by Mr Kevin Holyoake. Events such as International Fraud Awareness week which took place each November and awareness days which the team had conducted in the past, all increased awareness and consequently impacted on the level of referrals.
 - d) Mr Flannery explained that when issues and problematic areas had been identified, the Counter Fraud Team identify the root cause and could indicate whether further resources for enforcement action were needed.
 - e) Moving forward, Mr Flannery explained to Members that it was hoped that a specific threshold could be applied and irregularities above a specific amount

would be tracked, although there was a risk that this action could detract from the awareness sessions and the proactive and reactive side of the process. It was confirmed that analytics could be used to track debt repayment.

- f) A Member commented that it would be helpful to understand more about the operations of the Counter Fraud Team to see whether additional funding or resources were needed. Mr Flannery confirmed that the Counter Fraud Team worked closely with Management, who were responsible for reporting the results to Internal Audit. The Counter Fraud Team provided support to recover funds and focused on establishing the root cause.
- g) Mr Flannery confirmed the figures relating to the withdrawal of £3,500 bus passes derived from the Cabinet Office, as laid out in the National Fraud Initiative. When those figures were utilised in the National Fraud System, it provided the estimated future loss provision.

4. RESOLVED the Committee noted:

- The Counter Fraud Annual Report including quarter 4 progress for 2024/25 and reported irregularities from 01 January 2025 to 31st March 2025;
- The progress of the Counter Fraud Action Plan for 2024/25

And;

- Commented on, and approved, the Counter Fraud Action Plan for 2025/2026

318. Internal Audit Progress Report

(Item 14)

1. The item was presented by Audit Managers Mr Russell Smith and Ms Debbie Chisman. Mr Smith confirmed that the report captured all the work undertaken by Internal Audit and Counter Fraud colleagues. Mr Smith provided a brief overview of the audit detailed in the report and highlighted key points for Members' attention.
2. By way of an update since publication of the report; in section 3 of the report – Resources for the Internal Audit Service – in relation to the two recruitment exercises which had taken place, Mr Smith confirmed that the position of Trainee Auditor was successfully recruited as was the position for a new Audit Manager, who would be joining the service in September 2025.
3. Ms Chisman provided an overview of the audits undertaken. The report was taken as read and Ms Chisman highlighted the key points for Members' attention.
4. Ms Chisman confirmed that 55% of the Internal Audit Plan had been delivered and 20 Audits (45%) were in progress. Outstanding level audits had commenced with progress being made. It was expected that a further update would be provided to the Committee at the next meeting in September 2025.
5. Internal Audit had conducted 4 Advisory items of work, 2 of which would be discussed in the exempt section of the meeting. These were: CyberSecurity

Assurance Map and the KCC Website Review. Other Advisory items included the Oracle Cloud Programme and the business readiness.

6. Ms Chisman drew Members' attention specific audits which included:
 - a) Education and Alternative Provision Pupil Referral Units. This audit was assigned adequate assurance; several strengths had been raised in relation to policies, procures, guidance and training, 4 medium issues were raised.
 - b) The Basic Needs and High Needs Allocation Capital Program was assigned Adequate. Ms Chisman confirmed that the audit evaluated the governance framework, the funding allocation process and the monitoring and reporting mechanisms.
 - c) Public Health Transformation Programme was an adequate insurance piece of work. Areas of strength included alignment of strategic statements, the approval process, robust governance arrangements and benefits had been defined at service level and aligned with the programme aims
7. It was confirmed that no audits within the reporting period of January 2025 to June 2025 had been assigned limited or no assurance and three full follow up reviews had been completed. These included:
 - The Sundry Debt - recovery and the cancellation of invoices
 - Procurement
 - Loans to Schools
8. Ms Chisman confirmed that the Team had audited and certified 11 Government grants with a value £60.2 million. Members were referred to the report which contained a list of the grants.
9. In answer to Member questions, the following was said:
 - a) The Corporate Director for Children, Young People and Education, Ms Sarah Hammond clarified that pupil referral units had KPIs (Key Performance Indicators) and confirmed they were overseen by OFSTEAD in the same way as all schools were. It was explained that the KPIs were reported to the Cabinet Committee and that the audit focused on the management of the Committees around the pupil referral units.
 - b) Ms Hammond confirmed that there was plan in place for specific area improvement, following the audit however some of the pupil referral units were independent bodies of the Council and were not all KCC provisions. For those which were maintained and run by management committees, it was confirmed that there was a plan for the committee members (Governors) to be more robust in taking up the training.
 - c) Mr Watts explained that when the new Oracle Programme was implemented, the workflow would direct involvement from all relevant professionals, from an early informative stage. This would be inclusive of finance.
 - d) Mr Smith explained that there would be no impact on the progress against the plan affecting 2025 / 2026. He acknowledged there had been longstanding issues with the audit relating to Imprest accounts but this was

due to complications with one particular action. Mr Betts confirmed the existence of an operational issue which also caused complications however due to the financial nature of the matter, it was more appropriate to discuss in a private session.

- e) In relation to a question on the audit for Pupil Referral Units, Ms Hammond confirmed that the focus of this was the take up of non-mandatory training offered by The Education People by the Committees and how to encourage engagement. Ms Chisman confirmed that it had been included in a Management Action Plan with an implementation date of September (start of a new term) the training would be included as mandatory in service level agreements.

- 10. RESOLVED the Committed noted the Internal Audit Progress Report the period January to June 2025.

319. Internal Audit Plan 2025-26

(Item 15)

- 1. The item was presented by Audit Managers Mr Russell Smith and Ms Debbie Chisman. Mr Smith explained that the global internal audit standards and the UK application note required the internal audit service to produce a risk based audit plan. It was confirmed that the report proposed a 2025 – 2026 rolling internal audit plan which included a summary of the available resources.
- 2. Mr Smith highlighted the key points and details of the audit plan and appendices for Members' consideration.
- 3. In answer to Member questions, the following was said:
 - a) The number of audits to be completed within the 2025 – 2026 timeframe was accounted for in the resource projections section of the report and it was confirmed that no slippage of any audits should occur. Mr Smith stated that he would be content provide detailed workings of the viability of delivery, outside of the meeting.
 - b) Mr Smith explained that prior to an audit commencing, a planning meeting would take place to establish the big risk areas.
- 4. RESOLVED the Committee agreed the proposed Rolling Internal Audit Plan for 2025/26 subject to emerging issues and assurance requirements.

320. Treasury Update Report

(Item 16)

- 1. The report was presented by the Interim Corporate Director of Finance, Mr John Betts.
- 2. The key points were highlighted as follows:

- a) Mr Betts explained to Members that the report focused on Treasury Management activity for the financial year 2024 – 2025, being the financial year which has just concluded. At that point the Authority had external borrowings of £733 million by the end of the year, being 31 March 2025. This reduced by £39 million during the course of the year, inclusive of an early repayment of £10 million.
 - b) It was confirmed that the Authority made no new borrowing during the last financial year.
 - c) The Authority continued to manage interest rate costs by borrowing from internal resources, as well as earning interest in cash balances. The investments position for the previous financial year was based on £475 million at year end. This equated to an increase of £22 million, which was mainly due to improved valuations on strategic pooled funds.
 - d) Mr Betts confirmed that the Council met a saving of around £1.9 million against interest costs that was predominantly due to the early repayment of the previously mentioned debt, as well as improved earnings.
 - e) The Council met all prudential indicators around liquidity, security and interest risk.
- 3. In answer to a Member's question, Mr Betts confirmed that he would be content to bring to Committee a review of the strategy for Money Market Funds and Investment Funds.
 - 4. RESOLVED the Committee endorsed the report and recommended that it was submitted to County Council.

321. Counter Fraud Progress Report 2024-25 - Exempt (Item 17)

The General Counsel explained the reasons why item 17 and item 18 were exempt and to be considered in closed session.

- 1. The report was presented by the Head of Counter Fraud, Mr James Flannery.
- 2. Mr Flannery highlighted the key points of the annual report to Members.
- 3. RESOLVED the Committee noted the Counter Fraud Annual Report including quarter 4 progress for 2024/25 and reported irregularities from 1 January 2025 to 31st March

322. Internal Audit Progress Report - Exempt (Item 18)

1. The report was presented by Audit Managers Mr Russell Smith and Ms Debbie Chisman.
2. The key points of the report were drawn to Members' attention.
3. RESOLVED the Committed noted the Internal Audit Progress Report the period January to June 2025.