

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, 20 March 2025.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr N J D Chard, Mr M A J Hood, Mr C Passmore (Vice-Chairman) and Mr O Richardson

ALSO PRESENT: Mr R Gough, Mr P Oakford

IN ATTENDANCE: Ben Watts (General Counsel) Mrs A Beer (Chief Executive) Mr J Betts (Interim Corporate Director Finance), Katy Reynolds (Governance Advisor) Mark Scrivener (Head of Risk and Delivery Assurance), Jonathan Idle (Head of Internal Audit and Counter Fraud), James Flannery (Counter Fraud Manager), Kevin Holyoake (Counter Fraud Specialist), Helina Bhat (Counter Fraud Technician), Cath Head (Head of Financial Operations), Joe McKay (Acting Chief Accountant) Andrea Melvin (Commercial Accounting Manager), Paul Dossett (Grant Thornton), Lucy Nutley (Grant Thornton), Parris Williams (Grant Thornton), Zargham Malik (Grant Thornton).

VIRTUAL ATTENDANCE: Mr D Watkins (Cabinet Member for Adult Social Care and Public Health), Mrs Camilla Black, Richard Ellis (Director for Integrated Commissioning) Sangeeta Surana (Pension Fund and Treasury Investment Manager).

UNRESTRICTED ITEMS

288. Introduction/Webcasting

(Item 1)

289. Apologies and Substitutes

(Item 2)

Apologies were received from Mr Bond, Mr Webb, Mr Whiting and Dr Horne. Mrs Black sent her apologies and attended the meeting virtually via Microsoft Teams.

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

(Item 3)

There were no declarations of interest.

291. Minutes of the meeting held on 23 January 2025

(Item 4)

It was held that the minutes of the meeting which took place on the 23 January 2025 were a correct record and that a paper copy be signed by the Chair.

292. Verbal Update on Committee Business

(Item 5)

1. The verbal update was delivered by the Governance Advisor, Katy Reynolds.
2. The key points were as follows:
 - a) In relation to action GA005, Committee Members attended a commercial services group visit on the 18 March 2025 and received further input regarding the governance of the Kent County Council wholly owned companies.
 - b) Some of the open actions included in the Committee Action Tracker were being worked on during the pre-election period and could only be closed once the new Member induction had started.
3. In answer to a Member's question concerning Task GA016 - The Loans to Schools - it was confirmed by the General Counsel, Mr Ben Watts, that this item would be added to the next agenda of the first Kent County Council cycle. It was also confirmed by the Internal Audit Manager that a follow up report had recently been issued and would feature in the Internal Audit Report scheduled for presentation at the June 2025 Governance and Audit Committee meeting.
4. RESOLVED to note the verbal update on Committee business.

293. Verbal Update on Management Actions

(Item 17)

1. The verbal update on Management Actions was presented by the Chief Executive, Mrs Amanda Beer. A PowerPoint slide presentation was shared by the General Counsel, Ben Watts.
2. The three specific areas discussed during the Management actions update included:
 - a) **The culture shift approach to Management Actions** – Mrs Beer explained that, in addition to improving the completion of Management Actions by a specified timeframe, the Corporate Management Team (CMT) looked at embedding a greater focus on becoming a learning organisation. It was agreed by the CMT that an Organisational Learning Panel would be established. The panel would focus on the outcome of Internal Audits, complaints and other areas where the organisation received feedback on performance.

The CMT, Directorate Management Team (DMT) and Service Teams had focused on agreed timescales and shared learning from the ongoing work. It was intended that this approach to learning and development would continue after the backlog had been cleared.

The process of receiving the Management actions (which arose from audits) had become more robust and communications between Internal Audit and services directorates were more focused on the impact of the audit work. This was to ensure that outcomes were both meaningful and sustainable. It was confirmed that the context of this work was embedded in the Importance of Business Basics.

Governance and standards on Procurement had been re-written and Financial Management had been revised.

The position of Freedom of Information requests had improved.

- b) **Progress against the completion of actions** – Since the last Governance and Audit Committee meeting, several further actions had been closed. It was confirmed that in the current reporting period, there were 32 late actions. Of these:

- 4 actions have been verified as implemented
- 4 actions have been closed, with Management accepting risk
- 1 action had been superseded
- 5 actions have revise dates (following discussions with Internal Audit)

The remaining 18 actions have information being considered by Internal Audit, with a view to implementation.

- c) **The outcome of the deep dive activity referenced in the last report to the Committee** – following the initial paper brought to the Governance and Audit Committee, it was confirmed that both CMT and Internal Audit agreed that there were 5 areas where further progress could be made. Following a discussion and further review of the 5 actions by CMT in early March 2025, further learning in relation to how actions are agreed had been discussed, along with a firm commitment to progress in the timescales outlined.

Further deep dives would be conducted on the worst performing actions to continue improvement where needed.

3. In answer to Members' questions and comments, the following was said:

- a) The overall, long- term aim was to get 100% of the Management Actions delivered on time, although there will always be occasions where this is not possible, albeit for good reason. It was hoped that the current backlog would be cleared by the Autum of 2026.
- b) In relation to the actions where Management had accepted risk, a validation process would be conducted with Internal Audit and then Members would be updated via the Microsoft Teams site, ahead of Committee meetings. This would enable Members to see the complete cycle of audit activity.
- c) The Learning Organisation Panel was being set up by the Complaints Lead, Pascale Blackburn-Clarke, and was in very early stages of

development. Nominees from Internal Audit, Analytics, Risk Management and the Complaints Team would be working with service directorates to look for themes across the organisation and create significant action plans to address and improve on these areas. The Terms of Reference was in the process of creation and would be shared with the Committee when complete.

4. RESOLVED to note the verbal update on Management Actions.

294. External Audit - Audit Findings for Kent County Council 2023 - 2024 (Item 6)

1. The Interim Corporate Director of Finance, Mr John Betts, suggested that items 7, 8 and 9 be taken at the same time. This was agreed by the Chair.
2. Mr Betts confirmed that the External Audit Findings for Kent County Council 2023-2024 and Auditor's Annual Report for 2023-2024 were brought before the Committee in December 2024, however at the time, Grant Thornton proposed that further work needed to be undertaken. This was now complete and therefore the unqualified audit opinion could be finalised. It was explained to Members that the Statement of Accounts and the Annual Governance Statement and had to be re-approved and the letters of representation re-signed.
3. It was confirmed that nothing material had changed since the papers were considered at Committee in December 2024.
4. As the External Audit Findings and External Auditor's Annual Report had previously been examined, it was agreed that the papers would not be reviewed in detail.
5. Mr Paul Dossett of Grant Thornton explained to Members that the additional work completed had not impacted the Financial Statements. There had been some minor disclosures which the Council had executed. In terms of the Value for Money portfolio, there had been no changes to the recommendations, only minor wording alterations to the report. Mr Dossett confirmed that the audit could now be signed off.
6. Mr Watts confirmed that the Council had resolved the final outstanding areas, which meant the last two actions from the prior year were now closed.
7. RESOLVED to note the External Auditor's Finding for Kent County Council 2023/24 for assurance.

295. External Audit - Auditor's Annual Report 2023 - 2024 (Item 7)

1. Mr Dossett provided a brief update to Members on the position of the Auditor's Annual Report 2023-2024, in conjunction with Item 7.
2. RESOLVED to note the External Auditor's Annual Report on Kent County Council 2023/24 for assurance.

296. 2023 - 2024 Accounts Update, Accounting Policies Update including IFRS 16 Implementation and External Audit Timetable
(Item 8)

1. The report was presented by the Acting Chief Accountant, Mr Joe McKay.
2. Mr McKay confirmed there were no material changes to the accounts, or the Kent County Council Pension Fund accounts since they were initially approved at Committee on the 13 December 2024.
3. In preparation for the 2024/2025 accounts, the significant changes to accounting policies had been highlighted to Members in the report, the most significant being IFRS 16 leases. Members were drawn to the relevant sections of the report which provided in depth detail on the standard, implementation progress to date and explanations around some of the Kent County Council judgements.
4. It was explained to Members that the change would mean that, for assets where the Council was *the lessee*, in most cases these would be represented as Right of Use Assets in the balance sheet and would have a corresponding lease liability. For the assets where Kent County Council was *the lessor*, the accounting would remain the same.
5. Mr McKay drew section 13 of the report to Members' attention which addressed the questions posed by Grant Thornton in their report brought to the last Governance and Audit Committee.
6. Mr McKay also drew Members' attention to section C of the report which contained the timetable for the 2024-2025 accounts and highlighted that the accounts would be published at the end of June 2025, instead of the end May. It was hoped that the accounts would be brought to Committee for review in September 2025, well in advance of the audit backstop deadline for 2024 – 2025.
7. In answer to Members' questions and comments, the following was said:
 - a) It was legislation set out by the Ministry of Housing, Communities and Local Government (MHCLG) that allowed for an additional month of preparation for the draft accounts, before publication on the 30 June 2025. This temporary deadline was created as part of the wider work to re-align the audit timetabling for the accounts.
 - b) Mr Watts confirmed that the Annual Governance Statement would adhere to the same timetable.
8. A Member requested further information in relation to leases and Peppercorn rents. It was noted that this could be addressed by someone from the Commercial Property Team at a later Committee meeting.
9. RESOLVED to:
 - Note the update on the 2023-24 Statement of Accounts;
 - Approve the 2023-24 Statement of Accounts and Annual Governance Statement;

- Note the change to accounting policies for the adoption of IFRS 16 Leases;
- Note the provisional external audit timetable for the 2024-25 Statement of Accounts.

297. External Audit - Annual Plan for Kent County Council 2024 - 2025 (Item 9)

1. The report was presented by Lucy Nutley of Grant Thornton.
2. Ms Nutley drew Member's attention to page 323 of the reports pack which set out some of the challenges and the responses to them. It was confirmed that this information had been replicated to all the Kent District Councils audited by Grant Thornton. The monitoring of these challenges and the Council's responses would continue throughout the year in the Financial Statements and Value for Money work, as well in the years leading up to, and beyond, local government reorganisation.
3. Ms Nutley drew Members' attention to page 324 of the reports pack which set out the changes to auditing, as a result of the Reform of Local Audit and are ongoing.
4. As a result of IFRS 16 implementation, the anticipated values of the disclosed leases coming on to the balance sheet and rebasing of the PFI liabilities, had been noted as a significant risk of material misstatement for 2024 – 2025.
5. Other risks of materialist statement included:
 - Management override of controls, which was considered a presumed risk.
 - The risk of fraud and error and revenue recognition which had been rebutted for the Council, along with the risk of fraud and error and expenditure recognition.
 - The valuation of land and buildings (including investment property) to be a significant risk.
 - The valuation of the pension fund asset or liability.
6. Ms Nutley drew Members' attention to page 343 which set out the Group Audit Scope and Risk Assessment approach and asked the Committee to note that, due to changes in the group and the internal standard on auditing for group audits, this was still in progress and an updated approach would be brought to the next Committee meeting.
7. Ms Nutley commented that following up of key recommendations previously raised, as well as focusing on the progress the Council had made in implementing the recommendations, would be key to Grant Thornton's work this year. Members were directed to page 357 which set out the external auditor's proposed fees.
8. In answer to Members' questions and comments, the following was said:
 - a) The work which focused on scrutinising the process of the Commercial Services Group was ongoing and as such did not have a specified date for determination. This was due to a change in the standard and therefore auditors wanted to ensure they were acting correctly.

- b) Part of the audit work involved looking at property disposals; in view of the details contained within the external auditor's annual plan for 2024-2025 concerning local government reorganisation, disposals and value for money would be examined closely.
 - c) Past local government reorganisations, albeit smaller in nature, had been reviewed to see where improvement could be made across a range of areas, to ensure they were all captured by the audit process. In terms of Value for Money work, this would be assessed by following the public money to see if the decisions had been made.
 - d) It was confirmed that Grant Thornton audit all the Kent districts.
 - e) The Adult Social Care & Health directorate spending was featured as part of Grant Thornton's Value for Money work and continued to be one of the biggest risk areas. The challenges the Council faced in relation to this were recognised and how the savings could be made and the development of such strategies would be looked at. It was confirmed that the Council had taken notice of advice from external auditors previously and therefore the audit would continue within the framework and understanding that Members, Cabinet Members and statutory officers were aware of their roles and responsibilities. It was confirmed that Grant Thornton had not identified any new concerns at this stage.
9. RESOLVED Members to note the External Auditor's Annual Plan for Kent County Council 2024-2025 for assurance.

298. External Audit - Auditor's Plan for Kent Pension Fund 2024 - 2025
(Item 10)

- 1. The report was presented by Mr Parris Williams, from Grant Thornton.
- 2. It was confirmed that all risk assessment work had been completed and that no changes were required to made to the Kent Pensions Fund 2024-2025 plan.
- 3. It was confirmed that IFRS 16 implementation did not affect the Kent Pension Fund and therefore plan was consistent with the prior year.
- 4. Mr Williams drew Members' attention to page 382 of the reports pack and highlighted some of the key aspects and judgements.
- 5. A Member raised a question concerning the risk to the Kent Pension Fund, following the Mansion House speech, in which central Government gave confirmation that they did not accept ACCESS in its current form (as a pool). A reference to the cost of moving the fund was requested. It was confirmed that, whilst there was not a separate aspect of the auditor's annual report of the Value For Money, it could be included in the main Auditor's Annual report. Mr Williams highlighted the important of ensuring the accuracy of what was included in the financial statement from the ACCESS pool was appropriate at the balance date.
- 6. RESOLVED to note the External Auditor's Plan for the Kent Pension Fund for assurance.

299. Informing the Audit Risk Assessment for Kent Pension Fund 2024 - 2025

(Item 11)

1. The report was presented by the Pension Fund and Treasury Investment Manager, Ms Sangeeta Surana.
2. It was confirmed that Grant Thornton had made enquiries with Management on several areas including fraud laws and regulations, related parties and accounting estimates. These enquiries were designed to inform the risk assessment of the audit for the Kent Pension Fund, in line with the previous year.
3. Ms Surana confirmed there was nothing further to bring to the Committee's attention.
4. RESOLVED to note the 2024/2025 Management responses to the inquiries.

300. Oracle Cloud Programme Implementation - Change to the Scheme of Delegation Limits

(Item 16)

1. The report was presented by the Head of Finance, Mrs Cath Head.
2. In answer to a Member's question, Mr Betts explained that the report was an appendix to the existing Financial Regulations and the purpose was to clarify where the limits lay. This had been achieved by aligning Management responsibilities with financial responsibilities. It was intended that the Oracle Programme would systemise the level of accountability.
3. RESOLVED to:
 - Endorse the new scheme of delegation structure and limits in principle and note that these will be used in the design and testing of the Oracle Cloud Programme.
 - Agree that, following the trial, the proposed permanent changes to the matrix (and financial regulations) are recommended to County Council prior to the go live date of August.

301. Counter Fraud Update

(Item 12)

1. The report was presented by the Counter Fraud Manager, Mr James Flannery.
2. In answer to Members comments and questions, the following was said:
 - a) The data included in the report did not include the statistics from the fourth quarter, as this information still needed to be reviewed.
 - b) There was no legal duty to inform the billing authority when a property was being used for commercial purposes. Local Authorities were required to link

up with revenue teams and planning teams in order to pass the information on to the Valuation Office Agency (VOA) who would begin the process of making them liable for business rates.

- c) Further information would be sought from colleagues in the District Councils and raised at the Kent Intelligence Network, in order to address a Member's question regarding an automated completion process between building enforcement and Council tax Revenue officers.
- d) Mr Watts confirmed that he would also raise the enquiry with the Kent Secretaries.
- e) Mr Flannery explained that there were specific circumstances where the planning department were unaware that diversification of certain buildings and change of use had occurred and as such, there had been no engagement with the local authority.
- f) In terms of referral volume, it was explained to Members that this issue was covered during the Counter Fraud Conference, which was run by the Public Sector Fraud Authority (PSFA). The PSFA were going to be awarded new powers that would enable referred issues to be escalated to central government, who would then be able to examine the mechanisms in place and take a national approach.
- g) It was confirmed that a waste enforcement team were in place within the Growth, Environment and Transport directorate and the Counter fraud team liaised with them over waste fraud and waste crimes.

3. RESOLVED to:

- Note the Counter Fraud progress report for 2024/25 and reported irregularities from 01 October 2024 to 31 December 2024;
- Note the progress of the Counter Fraud Action Plan for 2024/25.

302. Review of the Risk Management Strategy, Policy and Programme
(Item 13)

- 1. The Leader of the Council, Mr Roger Gough, highlighted the importance of training for officers and new Members to the Committee.
- 2. The report was presented by the Head of Risk and Delivery Assurance, Mr Mark Scrivener.
- 3. In answer to Members comments and questions the following was said:
 - a) The risk management arrangements were reviewed annually by Internal Audit. Key areas of focus were discussed and the most recent audit theme for 2024-2025 was risk culture. The Risk Policy was last subjected to significant change, approximately 3 years ago.
 - b) Head of Internal Audit, Mr Jonathan Idle, confirmed that, from an Internal Audit perspective, the current approach to risk management was successful.

- c) Mr Dossett confirmed from an external audit perspective, risk management was covered as part of the Governance section of the Auditor's Annual Report and the risk management strategy, implementation and reporting were examined as part of this. Mr Dossett confirmed that no concerns had been raised with the risk management strategy and was satisfied with the process.
4. Thanks and recognition were given to Mr Scrivener and his team for their work.
5. RESOLVED to:
 - Approve the Risk Management Policy & Strategy 2025-2028; and
 - Note the report on the Risk Management Programme for assurance.

303. Internal Audit External Quality Assessment *(Item 14)*

1. The report was presented by the Head of Internal Audit, Mr Jonathan Idle.
2. Some of the highlights and key points were as follows:
 - a) Mr Idle drew Members' attention to paragraph 1.3 of the report and confirmed that the paper set out the plan for the EQA process which needed to be undertaken.
 - b) The proposed assessment method was included in section 2 of the report and the difference between a full assessment and a validated self-assessment was clarified for Members.
 - c) An issue regarding the standards relating to external quality assessments had been raised by Mr Idle and other Heads of Internal Audit with the Institute of Internal Auditors. Guidance on this aspect was expected in due course.
 - d) Mr Idle drew Members' attention to Table 2 on page 491 which set out the actions for the Internal Audit and External Quality Assessment process. Table 3 set out the timeline for work completion.
 - e) It was indicated to Members that an independent assessor for the external quality assessment would be procured.
3. In answer to Members' questions and comments, the following was said:
 - a) Mr Idle confirmed that the outcome of the external quality assessment would be presented to Committee as soon as it was ready.
 - b) As there was a self-assessment against every standard, this assessment option was considered the most appropriate and cost-effective option for the Council, as opposed to a full assessment.
4. RESOLVED to:

- Endorse the approach for the External Quality Assessment of the Council's Internal Audit function; and

Approve the nominated Project Sponsor for the exercise.

304. Review of Statutory Accounts of Companies which Kent County Council has an Interest

(Item 15)

1. The report was presented by the Commercial Accounting Manager Andrea Melvin.
2. In answer to Members' comments and questions, the following was said:
 - a) Ms Melvin confirmed that she would review Kent County Council's interest and involvement with the Aylesham & District Community Workshop Trust Ltd and update the Committee once these points had been addressed.
 - b) Mr Watts confirmed that the Selection and Member Services Committee determined the outside body organisations which the Council had an interest. After each administrative cycle, a report is produced that sets out which Member would be appointed and the nature of the Council's involvement. It was confirmed that Members would be updated, once the report had been considered at the Selection and Member Service Committee.
 - c) It was confirmed that dividends were declared after the year end and so the figures contained in the accounts would relate to the previous trading year.
 - d) For Kent PFI Holdings 1 Ltd, the amount paid would primarily be the unitary charge, which was the payment the Council made to the company for the provision of the services. It was explained that the company would have taken a loan at the beginning of the contract period to pay for the construction and ongoing capital costs, therefore the debt would exist until the contract ended.
 - e) Ms Melvin confirmed that she would try to find out more about the loss made by the TRICS Consortium Ltd and provide an answer to Committee.
 - f) It was drawn to the Committee's attention that Members are responsible for the nomination of Board Members, therefore it was not possible to say why some of the companies had not had a recent Kent County Council representative, appointed as a Trustee.
 - g) The debt on Kent PFI Holdings 1 Ltd would reduce as the contract period continued and the amount paid by the Council would be partly covered by the PFI grants the Council received. The capital element would be covered by the PFI grant and the ongoing revenue element (running costs) would be covered by the Council and the schools.
 - h) Mr Watts confirmed there was a regular report provided by the section 151 officer in relation to the performance of the companies that the Local Authority directly owns.

- i) The Cabinet Member for Communications and Democratic Services, Mr Dylan Jeffrey confirmed that he would review the details of Kent County Council appointed Trustees and provide as response as soon as practicable.
 - j) Due to the outstanding number of questions, it was agreed that Members would collate their questions and submit them for address.
3. RESOLVED to note the contents of this report for assurance.

305. Other items which the Chairman decides are urgent
(Item 18)

- 1. There were no other items arising.
- 2. The Chair gave thanks to officers, auditors and fellow Members for their help and assistance during her time as Chair of the Governance and Audit Committee.