

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 Wednesday, 25 March 2026.

PRESENT: Mr M Brown, Mr M Paul, Mr A Cecil, Mr T Mallon, Mr A Kibble, Mr J Finch, Ms B Porter, Mr M Munday, Mr G Samme, Mr H Rayner, Mr M Hood, Mr A Brady, Mr M Brown (Chairman), Mr A Cecil, Mr M Paul (Vice-Chair), Mr M Munday, Mr G R Samme, Mr H Rayner, Mr M A J Hood, Mr A Kibble, Mr J Finch, Mr A Brady, Mr T Mallon, Mrs B Porter and Mr O Bradshaw

ALSO PRESENT: Mr B Collins

IN ATTENDANCE: Ben Watts (Deputy Chief Executive), Amanda Beer (Chief Executive), Brendan Arnold (Corporate Director of Finance), David Adams (Interim Deputy Director Effectiveness, Sufficiency and Skills), Michael Thomas-Sam (Interim Adult Social Care Director), Joe McKay (Acting Chief Accountant), Cath Head (Head of Finance), Hayley Breathwick (Budgeting and Technical Accounting Manager), Sangeeta Surana (Pension Fund and Treasury Investments Manager), Mark Scrivener (Head of Risk and Delivery Assurance), James Flannery (Interim Head of Counter Fraud), Kevin Holyoake (Deputy Counter Fraud Manager (Proactive)), Tristan Godfrey (Senior Governance Manager)

IN VIRTUAL ATTENDANCE: Dr D Horne, Ms C Black and Katy Reynolds (Governance Advisor)

UNRESTRICTED ITEMS

364. Apologies and Substitutes

(Item 2)

Apologies were received from Mr Palmer, with Ms Porter in attendance as his substitute, Dr Horne and Ms Black, who were both in virtual attendance.

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

(Item 3)

RESOLVED there were no Member declarations of interest in items on the agenda.

366. Minutes of the meeting held on 28 January 2026

(Item 4)

It was highlighted that in relation to item 7, the Committee voted unanimously for a summary project tracker to be included for *all proposed tasks*, not just the Oracle Cloud Programme. The project tracker would be developed and brought to Committee and would include details of time, cost and quality. The details of the format and reporting expectation for the tracker would be agreed an agenda setting meeting.

RESOLVED the Committee agreed that the minutes of the meeting held on the 28 January 2026 were a correct and accurate record and a paper copy be signed by the Chair.

367. Verbal Update on Committee Business *(Item 5)*

1. The Verbal update was presented to the Committee by the Senior Governance Manager, Tristan Godfrey. The key points were highlighted as follows:
 - a) The intention was to have the new Independent Member appointed ahead of the July Governance and Audit Committee meeting.
 - b) The committee effectiveness review survey had been circulated the previous day and Members were encouraged to respond.
 - c) The Clerk was working to review the existing Work Programme and the timings of the regular reports before further discussions were had with the Chair.
2. In response to points raised, Officers highlighted the following key points:
 - a) In relation to page 22 of the reports pack, the task highlighted in green relating to Commercial Services Group, being the purchase price of the WF Education Group, was commercially sensitive and would be provided to Members in May.
 - b) Members were drawn to other updates which included:
 - i) The Complaints and Continuous Improvement report date for May in relation to GA48.
 - ii) Initial enquiries had been made with the Project Manager to establish how a summary project tracker for the Oracle Cloud Programme, covering time, cost, and quality, be developed and brought to a future meeting, in relation to GA046.
3. RESOLVED Members noted the Verbal Updates

368. 2025/26 External Audit Plan for Kent County Council *(Item 6)*

1. The report was presented by Lucy Nutley from Grant Thornton. The key points were highlighted as follows:
 - a) Page 25 of the report set out the programme of work to be undertaken, while page 20 detailed the significant risks identified at the planning stage. These

included the presumed risk of management override of controls and the presumed low risk of fraud and error for KCC. They also highlighted the significant estimates relating to the valuation of land and buildings, noting that indexation would be introduced, and the valuation of pension liabilities and the Kent Pension Fund.

- b) A further significant risk related to the implementation of the Oracle programme, particularly the data migration from the legacy system. Additional risks had been identified, including the need for further work on financial sustainability. The auditors noted that the implications of Local Government Reorganisation (LGR) were still uncertain, and a placeholder had been included to reflect ongoing monitoring.
 - c) Page 37 summarised the group audit arrangements, including the work relating to the Wider Kent Group and education entities. Page 41 set out the materiality levels, which had been based on prior-year expenditure.
 - d) Pages 49–50 outlined the planned audit logistics, with the intention to report to Members in September, when the accounts were scheduled to be signed off in September 2026.
 - e) Page 51 confirmed the fee estimate, set at £475,000. The auditors also noted a potential significant risk relating to financial sustainability, particularly in the context of raising council tax. They additionally referenced a potential weakness in governance arrangements, clarifying that this did not indicate any identified failure but reflected the need to assess whether a significant risk existed
2. In answer to Member questions and comments, the following was said:
- a) The value-for-money work involved a series of interviews across the authority, supported by a desktop review of key meetings and documentation.
 - b) It was clarified to Members that the four-year valuation cycle was an accounting requirement. Valuations were undertaken by professional valuers and already incorporated assumptions about deterioration. It was emphasised that valuation and maintenance costs were separate matters and did not directly align.
 - c) Training for new Members and changes to Committee structures would be passed to the value-for-money team for consideration.
 - d) It was highlighted to Members that risks around data volumes and financial integrity were well publicised, but it was confirmed that no such issues had been identified to date.
3. RESOLVED Members NOTED the 2025/26 External Audit plan for Kent County Council.

369. 2025/26 External Audit Plan for Kent Pension Fund
(Item 7)

1. The report was presented by Zargham Malik from Grant Thornton. The following key points were highlighted:
 - a) The risks associated with the implementation of Oracle Cloud were highlighted to Members. Both the Council and the Pension Fund used the same system and therefore the risk applied equally to both entities. IT specialists with appropriate professional qualifications and experience had been engaged to undertake testing, and their findings would be reported to the Committee in the final audit report.
 - b) Members were directed to the materiality levels set out on page 73, where separate thresholds had been established for investments and for contributions and benefits, reflecting the differing nature and scale of these balances. The fee section was also noted, with fees determined in accordance with PSAA guidance.
2. In answer to Member comments and questions the following was said:
 - a) A Member welcomed the management responses to previous audit recommendations and asked whether the actions taken were sufficient to address issues raised over several years. Mr Malik confirmed that specialist IT work was underway and that the auditors would assess the effectiveness of controls as part of their audit planning, reporting back on whether recommendations had been implemented.
 - b) It was explained that data migration work was ongoing and that the audit team would assess the outputs produced by the Pension Fund. While the auditors did not provide full assurance over the entire migration project, they would review the elements relevant to the financial statements.
 - c) Changes to pension administration arrangements were not expected to affect the current year's accounts but might influence next year's audit work. It was highlighted that the volatility of investment valuations around year-end and the need to consider updated information where valuations were, subject to time lags.
3. RESOLVED Members NOTED the 2025/26 External Audit Plan for Kent Pension Fund.

370. Statement of Accounts 2025/26 Preparation and Accounting Policies Update
(Item 8)

1. The report was introduced by Acting Chief Accountant Joe McKay and presented by the Budgeting & Technical Accounting Manager, Hayley Breathwick. The key points were highlighted as follows:
 - a) The publication deadline for the draft accounts remains 30 June, consistent with the previous year. The intention is for the Governance and Audit Committee to approve the accounts in September, well ahead of the statutory audit deadline of 31 January 2027. It was acknowledged that the timetable placed pressure on both the Council and the auditors but emphasised the shared commitment to completing the process as efficiently as possible.

- b) The finance team had begun work earlier than in previous years. They had provided transactional data for months 1–9, enabling early sampling of operating expenditure, income, and payroll information. Additional business process documentation had also been supplied, covering both the legacy Oracle system and the new Oracle platform. This preparatory work was intended to strengthen readiness for the main audit phase in the summer.
 - c) The Committee received an update on changes to accounting policies. It was explained that the 2025–26 Code of Practice introduced indexation for property, plant and equipment valuations. Under the new approach, full revaluations of land and buildings would occur every five years, with indexation applied in the intervening years to ensure asset values remained materially up to date. It was explained that the indexation was an approximation technique rather than a full valuation.
2. In answer to Member comments and questions, the following was said:
- a) The Council had historically completed its accounts well ahead of the statutory deadline and had signed them off in October the previous year. It was explained that early audit work on transactional data mirrored the approach taken last year and should allow both teams to progress concurrently without compromising quality.
3. RESOLVED Members NOTED the timetable for the 2025/26 Statement of Accounts and external audit.

371. Treasury Management Strategy *(Item 9)*

1. The item was presented by the Pension Fund and Treasury Investments Manager, Sangeeta Surana. The following key points were highlighted:
- a) It was explained that the annual refresh reviewed the Council’s use of required indicators and communicators, as outlined in the cover report. At a high level, there had been no changes to the Council’s investment strategy or its prudential indicators relating to security, liquidity, or borrowing. The Council continued to maintain its established approach to treasury management.
 - b) The Council’s Capital Financing Requirement showed a small increase in 2026/27, followed by a gradual decline in subsequent years. This indicated that no new borrowing was anticipated for future capital programmes, and that cash balances were expected to remain sufficient.
 - c) Reserve balances were projected to move slightly and would need to be monitored closely. The Council’s short-term cash balances continued to be invested across a mix of short- and medium-term instruments, with ongoing review to ensure efficient cash-flow management. The general decline in interest rates, despite recent rate-holding decisions by central banks was highlighted to Members.
2. In answer to Member comments and questions, the following was said:

- a) With respect to repayment of LOBO loans (Lender Option, Borrower Option) the Council would take opportunities to refinance where appropriate, although no immediate concerns regarding cash balances had been identified.
 - b) £75m represented the minimum operational level, acknowledging that liquidity fluctuated throughout the year. Reduced balances were always a possibility, but the revised minimum level was considered appropriate.
 - c) In relation to concerns raised about the performance of the money market and equity funds, with long-term returns were reported at 4.10% and recent returns had been closer to 2.5%, it was clarified that the funds in question were equity-based pooled funds and had originally been selected during a low-interest-rate environment. They had historically delivered strong returns, but the volatility was acknowledged and it was confirmed that the Council planned to reduce its exposure to these funds over the coming years, following advice from treasury advisors.
 - d) In answer to a question regarding the Council's unrealised loss position on funds once the IFRS 9 statutory override ended in 2029, it was explained that the funds' values fluctuated and that the most recent position (as of February) showed a small, unrealised gain. The situation would continue to be monitored and reflected in future reports.
 - e) A Member reiterated concerns previously raised at the meeting of the County Council regarding the investment strategy. Another Member wanted the Committee to note his suggestion for investing in oil futures, particularly in response to supply shortages for oil in Central Europe affecting certain markets and urged Member to remain alive to the risks.
3. RESOLVED Members NOTED the Treasury Management Strategy approved by the County Council on 12 February 2026.

POST MEETING NOTE

The following information was provided after the Committee meeting by the Pension Fund and Treasury Manager, in answer to a question asked by a Member at the Committee:

Rationale for change in the limit for minimum balance for 3-month liquidity in the Council's Treasury Management Strategy:

I can confirm that the Council has an overall minimum liquidity level assessed at £200M. This is the minimum cash balance that should be held at any time to maintain a sustainable level of liquidity. In addition, to help manage liquidity, there are limits on how much can be invested for greater than One year, and how much should be available in the shorter term (less than 3 months).

The minimum balance for liquidity within three months ensures that we have sufficient cash for immediate day to day requirements but if the limit is too high it also constrains the Council from investing in higher yielding instruments where appropriate. Hence the limit was reduced from £100m to £75m to provide that flexibility.

372. Review of the Risk Management Strategy, Policy and Programme (Item 10)

1. The report was presented by the Head of Risk and Delivery Assurance, Mark Scrivener. The following key points were highlighted:
 - a) Members' attention was drawn to the policy and strategy documents, which set out the Council's approach to risk management, and a summary of risk management activity undertaken throughout the year.
 - b) The policy had not undergone significant change since the previous year, but several updates had been made. The policy's lifespan had been shortened from three years to two, reflecting the anticipated timelines for local government reorganisation. Should those timelines shift, the Committee would be advised accordingly.
 - c) Following a question raised at the previous year's meeting, the policy had been subject to independent review by Internal Audit, whose work included an assessment of the risk management framework, including policy. Minor amendments had been made to section 4.3 to reference the *Reforming Kent* Strategic Statement, and to section 4.4 to incorporate higher-level references to local government reorganisation and associated monitoring requirements. More detailed updates would follow as the local government reorganisation process progressed.
 - d) Mr Scrivener emphasised that the effectiveness of risk management depended not only on the quality of the policy but on its active implementation across the organisation. He outlined the ongoing engagement, support, and targeted project work undertaken throughout the year to embed risk management practices
2. In answer to Member comments and questions, the following was said:
 - a) Members welcomed the Council's intention to explore the use of Artificial Intelligence (AI) to support risk management, noting the scale of the task with 627 open risks and thousands of associated controls. Mr Scrivener explained that work was underway to improve the clarity and taxonomy of controls, distinguishing between true controls and mitigating actions. The aim was to streamline control sets and focus attention on the most significant elements. He also described the use of risk management software to support analysis and guide officers, enabling more efficient second-line assurance activity.
 - b) In relation to third-party risk, it was confirmed that the policy now clearly defined control ownership, ensuring that external providers were not incorrectly listed as control owners. Accountability rested with the relevant directorates, supported by strengthened contract management arrangements. It was acknowledged that further work was ongoing and suggested that a broader update could be brought to the Committee in due course.
 - c) Mr Scrivener confirmed that the overarching risk appetite statement remained unchanged, though discussions about risk appetite continued to be embedded within regulations, policies, processes and procedures

3. RESOLVED Members APPROVED the Risk Management Policy and Strategy 2026-2028;

RESOLVED Members NOTED the report on the Risk Management Programme for assurance.

373. Schools Audit Annual Report

(Item 11)

1. The report was presented by the Interim Deputy Director Effectiveness, Sufficiency and Skills, David Adams. The following key points were highlighted:
 - a) The audit work was carried out by Schools Financial Services on behalf of the Council, enabling the Section 151 Officer to confirm that schools were operating in accordance with the Council's financial regulations.
 - b) The structure of the audit process was outlined, noting that findings were categorised into critical (high-risk) issues and non-critical issues. The report summarised the outcomes of the previous year's audits and provided an update on schools with deficit budgets. It was highlighted that both the number of schools in deficit and the total value of deficits had reduced significantly, placing the Council in a strong position compared with national trends.
2. In answer to Member comments and questions, the following was said:
 - a) The ratings were broadly consistent year-on-year and that some schools did receive multiple findings. It was explained that deficits did not necessarily indicate poor management; in many cases, they were linked to demographic changes or structural factors. The Council's dedicated support team worked proactively with schools at risk of deficit, which contributed to the low number of schools in formal deficit positions.
 - b) Staffing levels were now where they needed to be and follow-up work had taken place with the schools audited in that cycle. However, the programme operated on a four-year rotation, and it was noted that similar issues tended to reappear in different schools each year due to staff turnover and the need for ongoing reminders about required processes.
 - c) A Member expressed concern that such a high proportion of schools had weaknesses in this area; this was recognised and noted by the Chair.
 - d) It was confirmed that the intention was to bring the next report to the September meeting, which would address the timing issue. He explained that Schools Financial Services had the specialist expertise required to audit school budgets and compliance with the financial scheme.
 - e) On procurement, it was clarified that only a small proportion of schools audited had procurement issues, and that most school expenditure related to staffing. While some corporate frameworks existed (e.g., for energy), schools generally operated their own procurement processes.

- f) The Interim Head of Counter Fraud, James Flannery, added that Internal Audit reviewed the effectiveness of Schools Financial Services as part of its assurance role.
 - g) Schools were reviewed within a four-year cycle, and persistent issues would be escalated through the Council's school intervention processes. In extreme cases, the Council could withdraw a school's delegated budget. Of the schools currently in deficit, two were new to the list, while one had appeared the previous year and was already subject to a financial warning notice
3. RESOLVED Members NOTED the Schools Audit Annual Report for assurance.

374. Counter Fraud Update (Quarter 3)

(Item 12)

1. The report was introduced by the Interim Head of Counter Fraud, James Flannery and presented by Kevin Holyoake (Deputy Counter Fraud Manager (Proactive)). The following key points were highlighted:
- a) The final data-matching exercise with Adult Social Care had been completed, providing positive assurance regarding case accuracy and existing controls.
 - b) The ASCH Personal Budget data set had been matched for the first time in ten years due to previous data-ownership constraints and had now been incorporated into the routine data-matching programme.
 - c) The Counter Fraud function continued to generate significant value for the Council through both direct recoveries and preventative activity, delivering a return on investment close to 3:1 for the year.
 - d) The team had strengthened the Council's anti-fraud culture through expanded training, improved tools, increased work in high-risk expenditure areas, and external review to confirm compliance with professional standards.
 - e) Increased awareness and reporting had supported earlier identification of issues and improved governance.
 - f) A Member referred to the enforcement data presented on page 173 and noted significant variation between district authorities. He observed that, following Local Government Reorganisation (LGR), cooperation between tier-1 and tier-2 authorities had improved. It suggested that this goodwill could be used to strengthen joint working on enforcement, particularly in relation to blue badge misuse and parking enforcement. It was proposed that KCC's senior management engage with districts showing high enforcement activity and encourage wider collaboration across all districts to improve consistency. Chief Executive Amanda Beer confirmed she would raise this matter at the next Corporate Directors' meeting.
 - g) A Member queried whether there was a correlation between districts that had received recent training, such as the programme delivered to Maidstone Borough Council, and the higher detection rates shown in the report. He

highlighted stark differences between districts, with some reporting very high levels of detected misuse and others reporting very low levels, particularly in West Kent.

- h) Concern was expressed that low detection rates likely masked higher levels of undetected misuse. The positive developments within the West Kent Partnership were noted and further collaboration were encouraged.
 - i) Mr Holyoake explained that some district enforcement teams operated through private contractors, which influenced their financial and operational models. This could affect the extent to which they prioritised blue badge enforcement.
 - j) Increased engagement from KCC's Counter Fraud team could help raise awareness and referrals however it was emphasised that local management decisions within districts also played a significant role. Commercial arrangements and contractor priorities would need to be considered when seeking greater consistency.
 - k) Mr Flannery noted that approximately three years earlier, the Chief Executive had led work to improve district engagement, which had resulted in some positive changes. He suggested revisiting this work to reinforce expectations and strengthen the "tone from the top," which could drive more consistent behaviours and outcomes across districts.
 - l) Referring to Appendix A, a Member noted a year-on-year increase in financial irregularities and queried the reasons behind this. He also asked for an update on the progress of work referenced in Appendix B, particularly in relation to resource capacity.
 - m) Mr Holyoake explained that some of the increase related to asset checks, including laptop losses, which had been identified through ongoing review work.
 - n) Mr Flannery confirmed that some cases involved theft or unauthorised sale of Council assets. The team continued to pursue the return of assets from former staff where appropriate and ensured that cases were correctly classified.
 - o) Mr Flannery provided an update on exploratory work relating to the use of Artificial Intelligence (AI). He advised that the team was in the early stages of market testing and considering AI both as a defensive tool and as a response to emerging fraud risks involving AI-enabled attacks. He noted that further detail would be more appropriately shared in a future briefing outside the public session due to the sensitivity of operational approaches.
- 2) RESOLVED Members NOTED the Counter Fraud progress report including reported irregularities from 1 April 2025 to 31 December 2025

RESOLVED Members NOTED the progress of the Counter Fraud Action Plan for 2025/26

375. Governance Arrangements for Wholly Owned Companies

(Item 13)

1. The presented was delivered by the Deputy Chief Executive, Ben Watts.
2. Mr Watts reminded Members that, at the last meeting, it had been agreed that an update would be brought to this session. He explained that the purpose of this item was to provide interim assurance and outline the work underway, with a more detailed report scheduled for the next Governance and Audit Committee. It was explained that a slide intended for the previous meeting was now being presented, as it set out the core principles of the governance framework for the Council's companies.
3. The following key points were highlighted:
 - a) The Council's companies were legally separate entities and not part of the County Council, although wholly owned.
 - b) Each company operated its own Annual Governance Statement (AGS) process, which fed into the Council's wider governance arrangements.
 - c) Board membership did not include elected Members, maintaining separation of powers and avoiding consolidation issues.
 - d) The Council's relationship with its companies was structured on an investment-based model, with the Council holding between 12–15% of business activity.
 - e) Companies had their own external audit arrangements, supplemented by internal audit and Council oversight.
 - f) Reserved matters ensured that the Council, as shareholder, retained appropriate control and assurance.
 - g) A programme of continuous improvement was in place across the companies.
4. Mr Watts outlined several developments arising from Member feedback at the previous meeting:
 - a) Annual reporting on company performance would be incorporated into the Governance and Audit Committee cycle, aligned with the AGS.
 - b) Grant Thornton had agreed to support the preparation of this reporting.
 - c) The new Section 151 Officer would review the governance arrangements to ensure full confidence in the framework.
 - d) Future agenda items relating to the Commercial Services Group would include attendance by the Group's Chief Executive to support technical questioning.
 - e) A mechanism had been established for Members to receive financial update meetings, enabling earlier visibility of financial performance without

encroaching on executive functions. These updates would be available to any Member of the Committee who requested them.

5. In relation to Member comments, the following was said:
 - a) The proposals were welcomed and the importance of early visibility of financial information, particularly given the challenging economic environment was emphasised
 - b) It was stressed that the Committee must have sufficient access to information (under Part 2 conditions where necessary) and the role of the Committee was not to duplicate executive functions but to act as an early warning mechanism.
 - c) Transparency was essential to avoid repeating mistakes seen elsewhere.
 - d) The journey toward improved transparency had been lengthy and at times frustrating. The progress was welcomed however it was highlighted that the Committee was not yet at the final destination.
 - e) Quarterly updates would provide valuable assurance to Members.
 - f) The opportunity for Members to attend financial update meetings and supported the enhanced oversight arrangements was welcomed
6. RESOLVED Members noted the presentation.