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, 23 July 2026.

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

ALSO PRESENT: Mr B Collins

IN ATTENDANCE: Brendan Arnold (Corporate Director of Finance & S151 Officer), Petra Der Man (Head of Law and Monitoring Officer), Simon Jones (Corporate Director of Growth, Environment and Transport), Rebecca Spore (Director of Infrastructure), Clare Maynard (Chief Procurement Officer), Ben Sherreard (Project Manager), Andy Jeffery (Head of Resilience and Emergency Planning), Sangeeta Surana (Pension Fund and Investment Manager), Katy Reynolds (Senior Governance Manager), James Flannery (Interim Head of Counter Fraud), Russell Smith (Interim Head of Internal Audit), Debbie Chisman (Audit Manager), Lee Jones (Audit Manager), Bobby Scargill (Counter Fraud Intelligence Assistant), David Mackins (Business Support Manager for CYPE) and Sarah Ironmonger (Grant Thornton).

IN VIRTUAL ATTENDANCE: Caroline Smith (Assistant Director for Corporate Parenting)

UNRESTRICTED ITEMS

385. Apologies and Substitutes
(Item 2)

Apologies were received from Mr Mark Munday.

386. Declarations of Interest in items on the agenda for this meeting
(Item 3)

There were no Member declarations of interest.

387. Minutes of the meeting held on 19 May 2026
(Item 4)

RESOLVED that the minutes of the meeting held on the 19 May 2026 were a true and accurate record and a paper copy should be signed by the Chair.

388. Verbal Update on Committee Business
(Item 5)

1. The Verbal Update was presented by the Senior Governance Manager, Ms Katy Reynolds. The following key points were highlighted:

   a) It was reported that interviews had been conducted for a second Independent Member and that a conditional offer had been made to a successful candidate. Pre-employment checks were underway, with the expectation that the candidate would be in post for the September meeting.

   b) Members were advised that mandatory induction training for members and substitutes wishing to sit on the Committee had been scheduled for 3 September 2026. Existing Committee members who had already completed the training were not required to attend again, although they were welcome to do so. Members were also encouraged to promote the training within their groups.

   c) The Committee was informed that a workshop-style training session on the purpose of the Governance and Audit Committee had been arranged for 21 September 2026 and would be delivered by an external facilitator.

   d) Updates were provided on the action tracker. It was noted that:

      (i) Action GA029 (Money Markets) had been partially covered under Item 7, with a further update to be brought to the November meeting once implementation had commenced.

      (ii) Action GA033 (Peppercorn Rents) would be brought to the September meeting.

      (iii) Action GA052 (External Audit Progress Report queries) had been partially addressed through responses circulated to Members, with outstanding responses to follow.

   e) During discussion, a Member requested that the wording of Action GA046 be updated to reflect that the proposed project tracker related to all major projects rather than a specific project. It was agreed that a draft version of the tracker format would be shared with Members at the next meeting to provide an indication of the proposed approach.

   f) A question was raised regarding invitations to pre-meetings held in advance of Governance and Audit Committee meetings. The Committee was advised that invitations were issued to all Committee Members and that any Member experiencing difficulties receiving invitations should raise this with the Chair or Clerk.

2. RESOLVED Members noted the verbal update on Committee business.

389. External Audit Sector Update and Progress Report for Kent County Council & Kent Pension Fund

(Item 6)

1. The report was presented by Sarah Ironmonger, from Grant Thornton. The following key pints were highlighted:

a) Members were advised that the unaudited financial statements had been received in accordance with the audit timetable and that audit work had commenced. It was reported that progress was satisfactory and that the findings of the audit would be presented to a future meeting.

b) The Committee noted the sector updates contained within the report, including information relating to the use of backstop disclaimers by some local authorities. It was noted that this did not apply to either the Council or the Pension Fund.

c) During discussion, Members raised concerns regarding the Oracle Cloud programme, including its overall cost, value for money, funding arrangements and the implications of Local Government Reorganisation. The external auditors advised that the implementation formed a significant risk area within the audit and that conclusions on value for money could not be reached until audit work had been completed. Members were informed that a separate review of the programme was underway and that the findings would be reported to the Committee when available.

d) Questions were also raised regarding the Dedicated Schools Grant (DSG) deficit, SEND reform arrangements and the potential impact on successor authorities. The external auditors confirmed that these matters formed part of their ongoing Value for Money assessment and that the position was being monitored through audit work currently in progress.

e) Members expressed significant concerns regarding both the Oracle programme and the DSG deficit and requested that these concerns be expressly recorded in the minutes.

f) It was proposed and seconded that a dedicated agenda item on the DSG deficit should be included on the Work Programme for future meetings. Following a vote, the motion failed.

g) The Committee was advised that updated technical guidance relating to devolution and Local Government Reorganisation could be provided and that governance arrangements formed part of the auditors' Value for Money assessment.

2. RESOLVED Members noted the sector update and progress report for Kent County Council and the Kent Pension Fund

390. Treasury Management Update

(Item 7)

1. The report was presented by the Pension Fund and Treasury Investments Manager, Sangeeta Surana. The following key points were highlighted:

a) The Committee received the Treasury Management Annual Review and noted that the Council had complied with its Treasury Management Strategy and all prudential indicators relating to liquidity, security and interest rate risk. It was further noted that external borrowing had reduced during the year, no new borrowing had been undertaken, and savings had been achieved against the

interest cost budget.

b) Regarding liquidity management, the Committee was advised that the Council sought to maintain a minimum cash balance for operational purposes and that any temporary reduction below the target level had been minor and attributable to the timing of cash flows.

c) The Committee discussed the Council's remaining LOBO loans, including their maturity dates, associated risks and the likelihood of lenders exercising call options. Members were advised that only two LOBO loans remained and that current market conditions made it likely that call options would be exercised in the near future. Assurance was provided that sufficient liquidity arrangements were in place to meet any resulting repayments.

d) Questions were raised regarding the repayment of debt, investment balances and the Council's approach to treasury management. It was explained that some loan repayments had occurred in accordance with existing repayment schedules and that reductions in minimum liquidity balances had enabled investment in higher yielding but suitably liquid instruments.

e) The Committee discussed the rationale for reducing investment holdings and sought assurance regarding the Council's ability to meet future liabilities. It was confirmed that investment balances remained sufficient and that arrangements were in place to generate the liquidity required to meet future debt repayments.

f) Members also considered the future expiry of the IFRS 9 statutory override and were advised that a programme was underway to reduce exposure by transitioning investments out of affected pooled funds. A further update would be provided later in the financial year.

g) The Committee discussed previous arrangements for member oversight of treasury management and noted differing views on their effectiveness.

2. RESOLVED Members ENDORSED and RECOMMENDED that the report be submitted to the Council.

391. Counter Fraud Update

(Item 8)

1. The report was presented by the Interim Head of Counter Fraud, James Flannery. The Following key points were highlighted:

a) It was reported that the Counter Fraud Team had substantially delivered its 2025–26 Action Plan, with one action relating to the use of artificial intelligence for document verification deferred pending identification of an appropriate pilot area. Members noted that reported irregularities had increased compared with the previous year, reflecting improved awareness and reporting, while actual losses had reduced.

b) Members were advised that a recent anti-corruption self-assessment had identified several good practices within the Council, together with opportunities to improve transparency. A fuller report, including

recommendations and an action plan, would be presented at a future meeting.

c) During discussion, Members received an update on the financial impact of the Kent Card provider outage. It was reported that work was ongoing to assess any additional costs incurred and to seek recompense from the outgoing provider where appropriate.

d) Members discussed the deferred action relating to the use of artificial intelligence and were advised that further work was required to assess potential applications and ensure that any investment would provide value for money.

e) The Committee considered the effectiveness and resourcing of the Counter Fraud Team. It was noted that the service continued to work closely with management teams across the authority and that existing resources were considered sufficient to address current fraud risks. Members were advised that future efficiencies were likely to be achieved through greater use of data analytics.

f) The Committee discussed Blue Badge misuse and variations in referral levels across district councils. It was reported that work was underway with district councils and parking managers to share best practice and improve awareness, detection and reporting arrangements.

g) Members received an update on the Kent Intelligence Network and its work in identifying business rates irregularities. It was noted that intelligence gathered from individual cases was shared across partner authorities to support wider fraud prevention activity.

h) Questions were raised regarding the recovery of losses arising from reported irregularities. The Committee was advised that recovery action was pursued through the Council's debt recovery processes and that lessons learned were used to strengthen controls and reduce the risk of recurrence.

i) The Committee discussed arrangements for monitoring declarations of interest and gifts and hospitality. It was reported that work was underway to improve management information and reporting, with enhanced monitoring expected to be introduced during the year.

j) An update was provided on the National Fraud Initiative and the use of data matching to identify potential overpayments following the death of service users. Further matching exercises were due to be undertaken during 2026–27, with results to be reported to a future meeting.

k) The Committee also considered fraud risks associated with Local Government Reorganisation. It was confirmed that these risks were being incorporated into programme risk management arrangements and that a further report would be brought to a future meeting.

2. (i) RESOLVED Members NOTED the Counter Fraud Annual Report inclusive of quarter 4 progress for 2025/26, reported irregularities from 1 January 2026 – 13 March 2026 and completion of the Counter Fraud Action Plan for 2025/26.

(ii) RESOLVED Members REVIEWED, COMMENTED on and APPROVED the Counter Fraud Action Plan for 2026/27

(iii) RESOLVED Members NOTED the outcome of KCC's Compliance to the Fighting Fraud and Corruption Locally Checklist.

Post Meeting Note

Following a Member's question, the Interim Head of Counter Fraud confirmed that KCC have not, and are not, funding the litigation which is being progressed by Dover DC. This is the responsibility of Dover DC as the billing authority and administrator of business rates in that area.

392. Annual Review of Counter Fraud Policies

(Item 9)

1. The report was presented by the Interim Head of Counter Fraud, James Flannery. The Following key points were highlighted:

   a) The Committee received a report setting out amendments to the Council's counter fraud and anti-corruption related policies following a review undertaken in consultation with Legal Services.

   b) Members discussed the governance arrangements for the approval of these policies and noted that responsibility for approval had moved from the Governance and Audit Committee to the Corporate Management Team. Concern was expressed that the Committee had not been formally informed of this change and questions were raised regarding the rationale for the revised arrangements and the impact on member oversight.

   c) The Committee was advised that the approval arrangements had been reviewed against the Committee's terms of reference. Officers undertook to provide a written explanation outlining the reasons for the change in governance arrangements.

   d) A motion was proposed and seconded requesting that the administration consider amending the Committee's terms of reference to allow continued Member oversight of the relevant policies. Following a vote, the motion was carried.

   e) During discussion, members also raised the potential for greater information sharing between Trading Standards, district councils and other partners where enforcement activity identified possible fraud, financial irregularities or other offences. It was agreed that this matter would be raised through the Kent Intelligence Network partnership arrangements for further consideration.

   f) Members further noted that the discussion highlighted broader governance and communication issues which would be relevant to forthcoming consideration of the Annual Governance Statement and the effectiveness of the Committee.

2. (i) RESOLVED Members made a formal request that the Administration consider amending the Committee's Terms of Reference to allow

continued Member oversight of the relevant Counter Fraud policies

(ii) RESOLVED that Members NOTED the amendments to the policies following approval at the Corporate Management Team.

393. Internal Audit Progress Report

(Item 10)

1. The item was presented by Audit Manager, Lee Jones. The following key points were highlighted:

a) The Committee received the Internal Audit Progress Report, noting completion of 33 audits and delivery of the annual audit programme.

b) Members noted that Business Continuity Planning and Essential Living Allowance (ELA) had received limited assurance opinions. Officers advised that improvements had been made in both areas, with compliance rates increasing for Business Continuity Planning and outstanding actions expected to be completed within agreed timescales. It was confirmed that all services had business continuity plans in place, with audit findings primarily relating to corporate system compliance.

c) In relation to ELA, officers explained that the review had expanded following a previous counter-fraud investigation, identifying additional risks. Members sought assurance regarding outstanding recommendations and controls. Officers advised that significant progress had been made, including the introduction of strengthened controls, staff training, enhanced monitoring arrangements and dedicated oversight. A follow-up audit would be undertaken once all actions had been completed.

d) The Committee noted that the overall assurance position remained mixed, reflecting resourcing pressures, service demand and increased organisational risk. Members were informed that implementation of agreed management actions stood at 57%.

e) Members raised concerns regarding budget manager training, Resource Accountability Statements and the Council's financial resilience. Officers agreed to provide a formal response outside the meeting. Assurance was provided that reserve levels had improved and remained above the Council's minimum benchmark.

f) The Committee discussed the findings of the Adult Social Care audit, including provider failure risks and monitoring arrangements. The Head of Internal Audit advised that weaknesses had been identified in risk assessment and monitoring processes, and that a detailed action plan had been agreed to strengthen governance and oversight.

g) Members also considered risks associated with the Oracle programme, receiving assurance that progress continued to be monitored and that findings would be reported through the appropriate governance arrangements.

h) The Committee noted the consultancy review relating to SEND payments, with officers outlining plans to reduce reliance on manual processes, strengthen controls and increase automation by March 2027.

i) Members sought assurance regarding procurement controls and purchasing procedure exceptions. Officers advised that the area remained under review and that further updates would be provided.

j) Members expressed concern that officers from services subject to significant audit findings had not been present to answer detailed questions and suggested that relevant service representatives attend future meetings where significant audit issues were being considered.

2. Members indicated that they had questions regarding the exempt appendix. It was not possible to continue the debate in a close session due to time constraints and therefore the Chair agreed to defer the resolution of the item until such time as the questions had been addressed, at the next appropriate meeting.

394. Internal Audit Annual Report

(Item 11)

1. The item was presented by the Interim Head of Internal Audit, Russell Smith. The following key points were highlighted for Members:

a) It was reported that the overall assurance opinion for 2025/26 had been assessed as Adequate. Fifty per cent of audit coverage had received either High or Substantial Assurance ratings. An assessment against the eight pillars of corporate health found that five pillars were rated as adequate overall. While the overall opinion was noted to be close to substantial assurance, adequate assurance was considered an appropriate reflection of the Council's current position and the significant challenges it continued to face.

b) Members were advised that there had been no restrictions on audit scope and no impairments to the independence of Internal Audit.

c) The report included a new section on root cause analysis, introduced following recommendations from the External Quality Assessment (EQA). Key themes identified during the year related to assurance monitoring and risk, governance and management oversight, processes and procedures, and resources.

d) The Committee noted that implementation rates for agreed audit actions had been broadly maintained. Work was underway to introduce a management dashboard intended to improve oversight of audit recommendations and support improved implementation rates across the Council.

e) Performance against Internal Audit service measures, including outcome-based metrics, had been assessed as best practice by the EQA. Members also noted improved results from the annual perception survey and the ongoing Quality Assurance and Improvement Programme. Priority areas for further development included embedding data-driven assurance, reviewing the embedded assurance methodology and reviewing the prospects for improvement methodology.

f) During discussion, Members welcomed the increase in income generated by the service and the positive outcome of the EQA assessment. However, concerns were raised regarding the deferral of a number of planned audits, particularly those relating to contract management and monitoring, adult social care contracts, economic strategy and safeguarding adults at risk.

g) Concern was also expressed regarding the continuation of an overall adequate assurance opinion, the proportion of management actions that remained in progress, and implementation rates for high-risk recommendations. Members highlighted the importance of ensuring that agreed audit actions were completed in a timely manner in order to secure improvements and maximise the value of the audit process

2. RESOLVED Members NOTED the report as a source of independent Assurance regarding the risk. Control and governance environment across the Council and NOTED the outcomes from the 2025-26 Internal Audit work and the resultant 'Adequate' opinion to the Annual Governance Statement.

395. Internal Audit Rolling Annual Plan

(Item 12)

1. The report was presented by the Interim Head of Internal Audit. The following key points were highlighted:

a) It was noted that the current plan did not include audit coverage of climate change risks. Officers explained that this area had been reviewed in previous years and that the focus of the proposed plan had been on risks requiring more immediate mitigation. However, following recent decisions relating to Local Government Reorganisation (LGR), the audit plan would be reviewed to ensure that sufficient coverage was provided for emerging LGR-related risks.

b) The Committee was also advised that the report included the Internal Audit Charter, for which no changes were proposed, and an updated Internal Audit Strategy incorporating performance measures.

c) During discussion, a Member noted that the Family Hub programme had been operating for several years and raised concerns that it did not appear to have been subject to a specific audit review. Reference was made to concerns previously raised through committee processes regarding the consistency of service delivery and planned scrutiny of decision-making arrangements. In response, officers advised that a review relating to Families First was included within the audit plan and that the scope would be reviewed to determine whether Family Hubs should be considered as part of that work.

d) Concern was also expressed regarding the absence of climate change from the proposed audit programme, given the significance of climate-related risks and their increasing impact on Council operations. Officers reiterated that the decision reflected previous audit coverage and the need to prioritise more immediate risks. It was further noted that the audit plan remained flexible and could be amended during the year should risk levels change or additional assurance be required

2. (i) RESOLVED Members AGREED the proposed Rolling Audit Plan for 2026/27;

(ii) RESOLVED Members APPROVED the Internal Audit Strategy;

(iii) RESOLVED Members APPROVED the Internal Audit Charter;

(vi) RESOLVED Members NOTED the Key Performance Indicators for 2026/27.

396. Draft Annual Governance Statement

(Item 13)

1. The report was presented by the Monitoring Officer and Head of Law, Petra Der Man. The following key points were highlighted:

a) It was noted that the Annual Governance Statement (AGS) was intended not only to reflect on governance during the previous year but also to identify future risks, challenges and improvement actions. Members were informed that the document would continue to evolve to reflect emerging issues, including those arising from Local Government Reorganisation (LGR), as well as the potential impact on organisational resources and capacity. Officers encouraged Members and officers to provide feedback to help inform the final version.

b) During discussion, concerns were raised regarding governance arrangements and the conduct of Council business. Some Members expressed the view that governance processes had deteriorated over the previous year and cited concerns relating to the operation of Council meetings, the opportunities available for Member participation in debate, and the effectiveness of governance arrangements more generally.

c) Members also raised concerns regarding transparency, accountability and the timeliness of responses to issues previously identified by the Committee. It was suggested that recurring concerns raised through governance and audit processes were not always followed by sufficiently detailed feedback or reporting on progress.

d) Reference was made to the AGS statement regarding incidents of poor behaviour involving Members. In response, officers advised that the reference was based on Standards complaints and feedback received through officer surveys. The Committee was informed that work was planned to strengthen awareness of Standards expectations and the Nolan Principles through future training and development activities. It was noted that the effectiveness of those measures would be monitored over time.

e) Discussion also took place regarding the attendance of Cabinet Members and senior officers at Committee meetings. Some Members highlighted the importance of ensuring that appropriate portfolio holders or officers were available to answer questions on significant governance, financial or audit matters. It was suggested that consideration be given to developing arrangements for identifying items where attendance may be required. Other Members noted the practical challenges associated with requiring Cabinet Member attendance across a broad range of agenda items and suggested

that advance notice of questions could assist in ensuring that relevant information was available.

f) The Committee noted that all comments and observations made during the meeting would be considered as part of the ongoing development of the draft Annual Governance Statement ahead of its return for further consideration.

2. RESOLVED Members COMMENTED on the Draft Annual Governance Statement and the observations made during the meeting would be considered in the preparation of the final version.

397. Annual Review of Committee Effectiveness

(Item 14)

1. The report was presented by Senior Governance Manager, Katy Reynolds. The following key points were highlighted:

   a) The report had been prepared using responses from an anonymous Member survey and feedback obtained through an exit interview with a former independent Member.

   b) Members were advised that the review formed part of good practice and demonstrated the Committee's commitment to continuous improvement. It was noted that the review identified areas where further development was required, and arrangements had already been made for additional training to enhance understanding of the Committee's role and purpose.

   c) Committee Members raised concerns including perceived levels of Member engagement and participation; the level of challenge; attendance of key Officers and Cabinet Members; volume and complexity of papers and meeting culture. Other Members felt that the Committee had been given sufficient freedom to conduct its business and that individuals should reflect on their own contribution to discussions and questioning.

2. In response to questions raised by the Committee Members, the following points were made by Officers:

   a) It was confirmed that consideration would be given to refining the survey methodology in future reviews.

   b) The forthcoming training session would provide an opportunity to reflect further on the Committee's purpose and effectiveness and could help inform any additional actions required. It was also suggested that discussions take place regarding representation by relevant Officers and Cabinet Members at future meetings.

   c. The scope of the training session would be reviewed to take into account the request for Cabinet and Deputy Cabinet Members to attend.

   d. It was suggested that a dedicated discussion or workshop could be held to consider the Committee's future operation and identify improvements.

e. Members were invited to submit any further suggestions for improving the effectiveness of the Committee outside the meeting in order that these could be considered before the next scheduled meeting.

3. RESOLVED Members CONSIDERED and COMMENTED on the Review of Effectiveness.