

## KENT COUNTY COUNCIL

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Online on Thursday, 8 October 2020.

PRESENT: Mr D L Brazier (Chairman), Mr R A Marsh (Vice-Chairman), Mrs R Binks, Mr R H Bird, Mr N J D Chard, Mr G Cooke, Mr D Farrell, Mrs S V Hohler, Dr D Horne, Mr M J Horwood and Mr H Rayner

ALSO PRESENT: Mr P J Oakford

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Ms P Blackburn-Clarke (Quality Assurance Manager), Mrs C Head (Head of Finance Operations), Miss E Feakins (Chief Accountant), Mr L Manser (Insurance Manager), Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund), Ms J Samson (Capital Finance Manager), Mr J Flannery (Principal Auditor), Mrs R Spore (Director of Infrastructure), Mr D Smith (Director of Economic Development), Mr M Hyland (Project Co-ordinator – Kings Hill) and Mr A Tait (Democratic Services Officer)

### UNRESTRICTED ITEMS

#### **28. Minutes - 21 July 2020**

*(Item 4)*

RESOLVED that the Minutes of the meeting held on 21 July 2020 are correctly recorded and that they be signed by the Chairman.

#### **29. Committee Work and Member Development Programme**

*(Item 5)*

(1) The Head of Internal Audit provided an update on the forward Committee Work and Member Development Programme following best practice guidance in relation to Audit Committees.

(2) RESOLVED that approval be given to the forward Committee Work Programme and Member Development Programme as set out in the report.

#### **30. KCC Insurance Overview**

*(Item 6)*

(1) The Insurance Manager provided a summary of insurance activity for the 2019/20 financial year and other points of interest.

(2) RESOLVED that the report be noted for assurance.

### **31. Treasury Management Update**

*(Item 7)*

- (1) The Treasury and Investments Manager gave a summary of Treasury Management activity and developments for the quarter to the end of July 2020.
- (2) The Treasury and Investments Manager agreed to send a note to the Committee Members giving reasons for the significant drop in market value of the Schroder Income Maximiser Fund.
- (3) RESOLVED that the report be noted for assurance.

### **32. KCC Annual Customer Feedback Report 2019/20**

*(Item 8)*

- (1) The Delivery Manager – Engagement and Consultation provided a summary of the compliments, comments and complaints recorded by the Council. Her report included statistics relating to customer feedback received by the Council and a sample of complaints considered by the Ombudsman.
- (2) RESOLVED that the report be noted for assurance.

### **33. Annual Governance Statement**

*(Item 9)*

- (1) The General provided a copy of the Annual Governance Statement and an update on governance generally within the Council. Appendix 2, consisting of the report presented to County Council on 10 September 2020 and relating to a breach of statutory duties by Kent County Council, had previously been published and circulated to Members as a supplement to the main report.
- (2) The General Counsel agreed to amend the passage in the Annual Governance Statement which referred to unlocking housing growth in order to clarify that this related purely to those factors that KCC was able to control. The Statement would also clarify that references to “decision makers” encompassed everyone who had that responsibility.
- (3) The General Counsel agreed that future AGS preambles would place greater stress on the meaning of KCC being a “Member-led Authority.”
- (4) The General Counsel gave an assurance that meetings of the Kent Engagement Utilities Sub Ctee would resume.
- (5) RESOLVED that:-
  - (a) subject to (2) above, approval be given to the Annual Governance Statement; and
  - (b) a report from the General Counsel (in his role as Monitoring Officer) and the Head of Internal Audit on the Annual Governance

Statement process be presented to the January 2021 meeting of the Committee.

**34. Audit Committee Effectiveness and Annual Review of the Terms of Reference of the Committee - Verbal Update**

*(Item 10)*

(1) The General Counsel and Head of Internal Audit reported that a detailed report on Audit Committee Effectiveness and the Annual Review of the Committee's Terms of Reference would be presented to the Committee at its meeting in January 2021.

(2) RESOLVED that the report be noted.

**35. Internal Audit Progress Report**

*(Item 11)*

(1) The Head of Internal Audit introduced the report which gave detailed summaries of completed audit reports for the period between July and September 2020. This included the strain upon the Internal Audit service posed by the lack of staff resources.

(2) Mr P J Oakford, Deputy Leader and the Director of Infrastructure gave an explanation and assurances in respect of the ICT Asset Control audit which were accepted by the Committee.

(3) The Head of Internal Audit stated that whilst he accepted the pressures during the early lockdown period, it was his professional duty to examine matters of control and bring them to the Committee's attention.

(4) RESOLVED that the report be noted for assurance.

**36. Counter Fraud Progress Report**

*(Item 12)*

(1) The Counter Fraud Manager introduced the report on Counter Fraud activity undertaken for Quarter 1 of 2020/21, including reported fraud and irregularities.

(2) The Head of Internal Audit agreed to follow up concerns raised during discussion of this item over the strain on KCC resources caused by the number of people living permanently in holiday accommodation.

(3) RESOLVED that the report be noted for assurance.

**37. Internal Audit External Quality Assessment Process**

*(Item 13)*

(1) The Head of Internal Audit gave an overview of the requirements set out in the Public Sector Internal Audit Standards in relation to an External Quality

Assessment (EQA) of the Council's Internal Audit Service together with the planned approach to ensure that an EQA was procured and completed by 31 March 2021.

(2) RESOLVED to:-

- (a) endorse the approach set out in the report for the External Audit Quality Assessment of the Council's Internal Audit function; and
- (b) approve the nominated sponsor for the exercise.

### **38. External Audit Findings for Kent County Council**

*(Item 14)*

(1) Mr Paul Dossett of Grant Thornton UL LLP introduced the External Auditor's Annual Findings for KCC in 2019/20.

(2) RESOLVED that the report be noted for assurance.

### **39. External Audit Findings Report for Kent Pension Fund**

*(Item 15)*

(1) Mr R H Bird informed the Committee that he held shares in the Woodford Investment Trust. He would treat this as though he had a Disclosable Pecuniary Interest. He left the meeting for this item without participating in any part of its consideration.

(2) Mr Paul Dossett from Grant Thornton UK LLP introduced the report which set out the External Auditor's Annual Findings for the Kent Pension Fund in 2019/20.

(3) RESOLVED that the report be noted for assurance.

### **40. Letters of representation for External Audits**

*(Item 16)*

(1) Mr Paul Dossett from Grant Thornton LLP introduced the letters of representation for KCC, its subsidiary undertakings and the Kent Pension Fund in 2019/20.

(2) RESOLVED that the report be noted for assurance.

### **41. External Audit Progress Report and Sector Update**

*(Item 17)*

(1) Mr Paul Dossett from Grant Thornton UK LLP provided updates and information for the current year from the External Auditor.

(2) RESOLVED that the report be noted for assurance.

#### **42. Local Government Audit and Financial Reporting - The Redmond Review**

*(Item 18)*

- (1) The Chairman informed the Committee that a more detailed report prepared by Grant Thornton UK LLP and Internal Audit would be presented to the January 2021 meeting of the Committee.
- (2) Mr H Rayner asked the Committee to note his question which was whether the intention to raise audit fees in order to accommodate the extra training recommended in the Redmond Report and required by the Financial Reporting Council would be accompanied by transparency in respect of the training proposed.
- (3) RESOLVED that the report be noted together with the intention to provide a more detailed report in January 2021 and Mr Rayner's question.

#### **43. Statement of Accounts**

*(Item 19)*

- (1) The Chief Accountant introduced the report which asked the Committee to consider and note the draft Statement of Accounts for 2019-20.
- (2) The Chief Accountant agreed to discuss adding the word "directly" or "materially" to the Foreign Exchange Risk statement in Note 40 with the Treasury and Investments Team and to amend the Statement if and as appropriate.
- (3) RESOLVED that:-
  - (a) subject to (2) above, approval be given to the Statement of Accounts for 2019/20;
  - (b) approval be given to the Letters of Representation; and
  - (c) the recommendations made in the Annual Findings Report be noted.

#### **44. Statutory Accounts for those companies in which KCC has an interest**

*(Item 20)*

- (1) The Chief Accountant presented the latest available Statutory Accounts for those companies in which KCC has an interest.
- (2) RESOLVED that the report be noted for assurance.

#### **45. Regional Growth Fund, Discovery Park Technology Investment Fund and Kent Life Science Fund**

*(Item 21)*

(1) The Director of Economic Development provided an update and summary of the Regional Growth Fund (RGF) equity investments made by KCC since the RGF programmes were launched in April 2012.

(2) RESOLVED that the report be noted for assurance.

### **EXEMPT ITEMS**

**(Open access to Minutes)**

*The Committee resolved under Section 100A of the Local Government Act 1972 that the public be excluded for the following business on the grounds that it*

*involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.*

**46. Regional Growth Fund, Discovery Park Technology Investment Fund**  
*(Item 24)*

(1) The Director of Economic Development introduced the report which included three appendices provided by NCL under conditions of commercial confidentiality giving detailed, commercially sensitive information on the status and valuations of the RGF equity investments made by KCC since the RGF programmes were launched in April 2012. The first of these was the *Indicative Valuation of KCC Equity Investments* which provided details of all the shareholdings in 11 companies. The second was the *Discovery Park Technology Investment Fund Valuation* which provided details of all shareholdings and valuation in 6 companies. The third was the *Kent Life Science Valuation* which provided details and valuation in 6 companies.

(2) RESOLVED that the report be noted for assurance.

**47. Performance of KCC wholly owned companies**  
*(Item 25)*

(1) The Chief Accountant presented a report on the performance of KCC wholly owned companies for 2018/19 and 2019/20. These were Kent County Trading Ltd, Cantium Business Solutions Ltd, Invicta Law Ltd, EDSECO Ltd T/A The Education People, and GEN<sup>2</sup> Property Ltd.

(2) RESOLVED that the report be noted for assurance.

**48. East Kent Opportunities LLP**  
*(Item 26)*

(1) The Chief Accountant and the Head of Development and Investments presented a report on East Kent Opportunities including an update on recent activity.

(2) RESOLVED that the contents of the report be noted for assurance.