

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Online on Thursday, 21 January 2021.

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 D Farrell, Mrs S V Hohler, Dr D Horne, Mr M J Horwood, Mr H Rayner and Mr M E Whybrow

ALSO PRESENT: Mr R W Gough, Mr R L H Long, TD, Mr P J Oakford, Mr B J Sweetland and Mr M Whiting

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Mr D Whittle (Director of Strategy, Policy, Relationships and Corporate Assurance), Mr M Scrivener (Corporate Risk Manager), Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund), Mr M Rolfe (Head of Kent Scientific Services/Interim Head of Kent Resilience Team), Mr D Adams (Director of Education), Mr J Flannery (Principal Auditor) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

1. Dates of future meetings of the Committee (Item 4)

RESOLVED that the dates of future meetings of the Committee be noted as set out below:-

Friday, 23 April 2021;
Tuesday, 20 July 2021;
Thursday, 7 October 2021;
Thursday, 20 January 2022; and
Friday, 22 April 2022.

2. Minutes - 8 October 2020 (Item 5)

RESOLVED that the Minutes of the meeting held on 8 October 2020 are correctly recorded and that they be signed by the Chairman.

3. Committee Work and Member Development Programme (Item 6)

(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) The Committee agreed that the Work Programme would be updated to include the External Review of the Kent Pension Plan.
- (3) RESOLVED that subject to (2) above, approval be given to the forward Committee Work Programme and Member Development Programme as set out in the report.

4. Review of the Risk Management Strategy, Policy and Programme *(Item 7)*

- (1) The Corporate Risk Manager presented the annual review of the County Council's Risk Management Policy and Strategy.
- (2) In the light of comments made by Members of the Committee, the Director of Policy, Relationships and Corporate Assurance agreed that the 4th bullet point in paragraph 7.14 would be augmented by reference to Financial Risk.
- (3) RESOLVED that subject to (2) above, approval be given to the Risk Management Policy and Strategy for the coming year.

5. Corporate Risk Register *(Item 8)*

- (1) The Corporate Risk Manager presented the Corporate Risk Register to the Committee together with an overview of the changes since it had last been presented and an outline of the ongoing process of monitoring and review.
- (2) The Committee agreed that Risks CRR0006 and CRR0007 should be amended to incorporate the risks of serious harm or death, and that Risk CRR0049 should include financial and reputational loss.
- (3) The Corporate Risk Manager replied to questions by assuring the Committee that the question of the risks of the release from care within the Social Care Markets was being considered.
- (4) The Chairman stated that it was open to any Member of the Committee to request a "deep dive" into any of the Risks.
- (5) RESOLVED that subject to (2) above, the report be noted for assurance.

6. Treasury Management Six Month Review 2020/21 *(Item 9)*

- (1) The Treasury and Investments Manager provided a review of Treasury Management activity for the year 2020/21 to date. She agreed that, in future the table for externally managed investment returns would include book costs.
- (2) RESOLVED that the report be endorsed for submission to the County Council.

7. Report on on use of covert investigative techniques surveillance, covert human intelligence sources and telecommunications data requests carried out by KCC between 1 April 2019 and 31 March 2020

(Item 10)

(1) The Head of Kent Scientific Services presented a report on the use of covert investigative techniques surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2019 and 31 March 2020. He explained that his role was to consider such requests rather than to initiate them.

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

8. The Future Role of the Governance and Audit Committee

(Item 11)

(1) The General Counsel provided an overview of the governance challenges facing the local governance sector and KCC specifically.

(2) The General Counsel's report made recommendations on the future role of the Committee to meet current and future challenges.

(3) The General Counsel agreed to include the Trading Companies' figures as they presented within the recommendations.

(4) RESOLVED to agree that:-

(a) the Monitoring Officer will arrange a workshop to cover the learning arising from the external auditor report into Croydon Council and other similar reports in recent years by no later than 10th February 2021.

(b) the Chairman of the Committee shall instruct the Monitoring Officer and Head of Internal Audit to survey all Members of the Committee regarding their views on the issues set out in paragraph 11 of the report by no later than 26th February 2021;

(c) the Monitoring Officer, Section 151 Officer and Head of Internal Audit will arrange a further workshop to discuss the future role of the Committee by no later than 19th March 2021;

(d) The following reports will considered at the April meeting of the Committee: -

(i) The Future Role of the Governance and Audit Committee;

(ii) The Training Programme for Governance and Audit Members;

(iii) Annual Review of the Council's Code of Corporate Governance;

(iv) Annual Review of the Committee's Effectiveness;

(v) Review of the Terms of Reference for the Governance and Audit Committee; and

(vi) Annual Governance Statement – Update on Actions; and

- (e) future reports on KCC's Trading Companies will include the figures as they present.

9. Schools Audit Annual Report

(Item 12)

(1) The Interim Director Education summarised the Schools Financial Services (SFS) compliance programme and other activities undertaken during 2019/20 which had enabled the Chief Finance Officer to certify that there was a system of audit for schools which gave adequate assurance over financial management standards in schools.

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

10. Internal Audit Progress Report

(Item 13)

(1) The Head of Internal Audit introduced the report which gave detailed summaries of completed audit reports for the period between October and December 2020. This included drawing attention to areas where there had been management resistance to the commencement of audits and the resources available to the Internal Audit Team.

(2) The Corporate Finance Director agreed to prepare a full report on the adequacy of the resourcing of the Internal Audit Service to the next meeting of the Committee.

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

11. Counter Fraud Update

(Item 14)

(1) The Counter Fraud Manager reported on Counter Fraud activity undertaken during the period from April to September 2020, including reported fraud and irregularities. He also gave an update on the Counter Fraud Plan for 2020/21 covering reactive and proactive activity.

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

12. External Audit 2019/20 Final Audit Letter, Findings Report 2019/20 and Update 2020/21

(Item 15)

(1) Mr Paul Dossett from Grant Thornton UK LLP presented the External Audit 2019/20 Final Audit Letter and Findings report as well as an update on External Audit work in 2020/21.

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

13. Effectiveness of External Audit and Internal Audit Liaison

(Item 18)

(1) The Head of Internal Audit presented a report highlighting the liaison arrangements between External Audit and Internal Audit. He informed the Committee that regular liaison meetings had taken place over the previous 18 months. Mr Paul

Dossett from Grant Thornton UK LLP endorsed the report on behalf of the External Auditors.

(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.

14. Internal Audit Progress Report
(Item 21)

(1) The Head of internal Audit reported the audits on Winter Pressure Commissioning; Urgent CHAPS Payment; and Highways Term Services Commissioning. He said that the issue identified in the Urgent CHAPS Payment report were being satisfactorily addressed.

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

15. Review of KCC Company Ownership Governance
(Item 22)

(1) The General Counsel introduced an update report in relation to the governance of KCC's wholly-owned trading vehicles.

(2) The Committee asked for a report giving a deep dive in respect of the financial impact on KCC and lessons to be learned from the Gen2 experience.

(3) RESOLVED that:-

(a) the Committee will:-

- (i) consider the financial performance of any wholly-owned companies[
- (ii) provide scrutiny of the executive decision-making around shareholder strategy;
- (iii) provide advice and comment regarding Governance arrangements for wholly owned companies; and
- (iv) update the work programme on an ongoing basis to reflect areas of review;

(b) the further dataset to be provided to Members will include quarterly financial reports, annual business plans and a shareholder update from the executive.

(c) the Monitoring Officer shall arrange a workshop to provide training for Members of the Governance and Audit Committee covering the existing governance arrangements by no later than 24 February 2021;

- (d) the Monitoring Officer shall arrange a training event for Members of the Governance and Audit Committee to support the expanded role of the Committee by no later than 9 April 2021;
- (e) the Traded Services Member Panel be struck from the Council's governance;
- (f) the Chairman of the Committee shall write to the Chairman of Policy and Resources Committee to update him on any approved recommendations to allow an equivalent paper to be drafted to update Members of that Committee;
- (g) the Monitoring Officer be instructed to amend the Terms of Reference for this Committee to be presented in draft at the April meeting to reflect these recommendations; and
- (h) a report be presented to a future meeting of the Committee giving a deep dive the financial impact on KCC and lessons to be learned from the Gen2 experience.