

## KENT COUNTY COUNCIL

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### 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, 19 October 2022.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr N J D Chard, Dr D Horne, Mr M A J Hood, Mr D Jeffrey 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), Miss E Feakins (Chief Accountant), Mr Paul Dossett, Mr J Flannery (Principal Auditor), Miss K Reynolds (Democratic Services Officer) and Mr S Jones (Corporate Director of Growth, Environment and Transport)

### UNRESTRICTED ITEMS

#### **59. Substitutes**

*(Item 2)*

Apologies for absence had been received from Mr Thomas and Mr Webb. The Democratic Services Officer informed the Committee that Mr Hook was attending the meeting virtually.

#### **60. Declarations of Interest in items on the agenda for this meeting**

*(Item 3)*

In relation to item 4, Mr Jeffery declared that he was a member of the Kent Pension Board.

#### **61. External Audit Findings Report for Kent Pension Fund 2021-22**

*(Item 4)*

1. Mr Richmond Nyarko from Grant Thornton UK LLP introduced the report which set out the External Auditor's Annual Findings for the Kent Pension Fund in 2021/22. He highlighted the determination of materiality for Kent Pension Fund and significant audit risks identified in the External Audit Plan.
2. RESOLVED that the report be noted for assurance.

#### **62. Counter Fraud Update**

*(Item 5)*

1. The Counter Fraud Manager introduced the report which detailed Counter Fraud activity undertaken during the period April 2022 to September 2022, including reported fraud and irregularities. The report also gave an update on the Counter

Fraud Action Plan for 2022/23 covering reactive and pro-active activity. It was said that mandate fraud continued to be the highest area of financial risk to KCC, schools and businesses across Kent.

2. In response to questions and comments from Members it was said that there was ongoing collaborative work with district councils to address the risk of blue badge misuse across Kent. It was highlighted that while referral rates were at a manageable level based on the resources available, some low-level risk referrals had not been progressed due to other priorities.
3. RESOLVED to note the Counter Fraud Progress report for 2022/23.

### **63. Annual Governance Statement - Presentation**

*(Item 6)*

1. The General Counsel gave a presentation on the Annual Governance Statement (AGS). The slides can be viewed on the Kent County Council (KCC) webpage for this meeting.
2. The General Counsel briefed Members on the key elements of the Statement; the AGS journey in KCC; the current operating environment and challenges facing the Council; the work being undertaken to produce the AGS; and what Members could expect from the document.
3. In response to questions and comments from the Members it was said that the statutory officers were working on further arrangements to encourage good governance in the Council.
4. RESOLVED to note the content of the presentation.

### **64. Review and Approval of Kent County Council's Tax Strategy and Corporate Criminal Offence Policy**

*(Item 7)*

1. The Senior Accountant introduced the report which summarised the importance of the implementation of the Tax Strategy and the Corporate Criminal Offence (CCO) policy.
2. RESOLVED to approve the implementation of the Tax Strategy and Corporate Criminal Offence policy.

### **65. Internal Audit Progress Report - RB30 - Kent and Medway Business Fund**

*(Item 8)*

*Mr Murphy (Cabinet Member for Economic Development), Mr Robey (Deputy Cabinet Member for Economic Development) and Mr David Smith (Director of Economic Development) were in attendance for this item.*

1. The Head of Internal Audit introduced the item which had been brought back for the Committee's consideration. He reminded Members of the high-risk area for development relating to the previously written off high value debts without adequate scrutiny, challenge and authorisation by the Corporate Director of

Finance as required under the Council's Financial Regulations. It was said that Members had received additional information which set out the issues identified, the response from management in the Growth, Environment and Transport (GET) directorate, and the expectations of the KCC Financial Regulations in relation to debt.

2. The Cabinet Member for Economic Development said that since the area for development had been brought to the attention of the service, a new write-off process had been implemented. The new process complied with the Council's Financial Regulations and would also be used retrospectively to rectify the issues raised.
3. The Deputy Cabinet Member for Economic Development emphasised the success of the Kent and Medway Business Fund scheme and highlighted that the loan write-offs identified in the audit represented a small proportion of overall debt. He confirmed that a robust write-off procedure for bad debt had been followed in all cases and this had been considered appropriate for external funding. The Director of Economic Development reiterated that this was a rigorous write-off process which had been satisfactory to the Department for Business, Energy & Industrial Strategy. Committee Members and the Head of Internal Audit expressed concern that the Deputy Cabinet Member for Economic Development and Director of Economic Development had made assertions that demonstrated a failure to understand the breach of financial regulations and its significance.
4. The Corporate Director of Growth, Environment and Transport assured the Committee that he would work with the Corporate Director of Finance to develop robust finance and governance arrangements for the Kent and Medway Business Fund with consideration of the findings of the Internal Audit Report.
5. In response to questions and comments from Members it was said that:
  - a) an update would be provided to the Committee at a future meeting date.
  - b) The Corporate Director of Finance would seek explicit assurance from Corporate Director colleagues that the Council's debt write-off processes were being followed in other areas.
  - c) Grant Thornton would provide an update to the Committee on the progress of the external audit on the Kent and Medway Business Fund.
6. RESOLVED that the report be noted for assurance.

**66. Other items which the Chairman decides are urgent**  
(Item 9)

There were no matters arising.

**67. External Audit Progress Report**  
(Item 9a)

1. Mr Paul Dossett from Grant Thornton UK LLP introduced the report which provided an update on the Financial Statements Audit of Kent County Council (KCC). It was said that the overall status remains 'On track'. It was said that the reporting of infrastructure assets had led to delays nationally in local authority audits. This was a material issue which impacted KCC as the Council was reported to hold over £600m of infrastructure assets as at 31 March 2021. It was

expected that a statutory override to the requirements of the CIPFA/LASAAC Code of Practice for Local Authority Accounting for infrastructure assets would be finalised by the end of November 2022.

2. RESOLVED that the report be noted for assurance.

## **68. Mandate Fraud Update**

*(Item 10)*

1. The Counter Fraud Manager informed the Committee of the arrangements in place to address the risk of mandate fraud.
2. RESOLVED to note the report for assurance.