

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 Tuesday, 28 February 2023.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr N J D Chard, Mr M A J Hood, Mr D Jeffrey, Mr H Rayner, Mr R J Thomas and Mr S Webb

ALSO PRESENT: Mr P Oakford

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mrs C Head (Head of Finance Operations), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Miss E Feakins (Chief Accountant), Mr Paul Dossett and Miss K Reynolds (Democratic Services Officer)

UNRESTRICTED ITEMS

92. Substitutes

(Item 2)

Apologies for absence had been received from Dr Horne and Mr Hook.

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

(Item 3)

In relation to items 5 and 6, Mr S Webb informed the Committee that he was in receipt of a Kent County Council (KCC) Pension.

94. Minutes of the Meeting Held on 26 January 2023

(Item 4)

RESOLVED that the minutes of the meeting held on 26 January were correctly recorded and that they be signed by the Chairman.

95. Review of Annual Accounts

(Item 5)

1. The Head of Finance Operations and the Chief Accountant presented the draft Statement of Accounts for 2021/22. Members were told that there had been an increase in the level of scrutiny and technical accounting required for producing the Statement of Accounts in recent years. It was highlighted that this had been the most uncertain year in terms of the outcome of the Statement. The Head of Finance Operations thanked the auditors for recognising the quality of the accounts.
2. In response to questions and comments from Members it was said that:

- a) There was a minimal balance left in the non-ringfenced Covid-19 emergency grant. This could be used to offset some of the overspend in the current financial year, however, some of the balance would be retained for ongoing projects in 2023-24.
- b) In response to a question relating to the Movement in Reserves Statement (MiRS), Members were told that the accounting adjustments ensured that any movement did not impact the General Fund. Members would be provided the breakdown of the running costs outside of the meeting.
- c) The £3m contribution to workforce reduction reserve was set aside for major restructures.
- d) Questions relating to the net liability of the Pension Fund, rather than its accounting, would need to be directed to the consulting actuaries. Members were encouraged to follow up outside of the meeting.

3. RESOLVED to consider and note the draft Statement of Accounts for 2021/22.

96. External Audit Findings for 21/22

(Item 6)

1. Mr Paul Dossett from Grant Thornton UK LLP introduced the report which summarised the key findings and other matters arising from the statutory audit of Kent County Council (KCC) and the preparation of the Council's financial statements for the year ended 31 March 2022. Mr Dossett commended the Finance Team on the quality of the financial statements and supporting working papers despite a series of challenges, including the issue around infrastructure assets.
2. Mr Dossett highlighted the two key issues in the Financial Statements which had been discussed with management. These related to the Inland Border Facility at Sevington and a £4m invoice to an NHS CCG without any supporting evidence. It was said that while there were no material misstatement in the financial statements in relation to Sevington, there was concern that the governance and controls that KCC had put in place were not effective to mitigate the risk.
3. In response to questions and comments from Members it was said that:
 - a) KCC's performance materiality was set at a relatively high percentage of the main materiality. This level was influenced by the Council's history of minor deficiencies and few misstatements.
 - b) A Grant Thornton report on the key challenges in local audit accounting was being produced. This would be circulated to the Committee for information once published.
 - c) Further investigation was required into the key issues identified in the Financial Statements. Additional details on the management response to the Inland Border Facility at Sevington issue would be provided to the Committee at a future meeting.
 - d) Management were considering their response to an objection on the financial statements which had been received from a local elector. The objection would need to be closed before the accounts were certified.
 - e) The Chief Accountant would provide the Committee with further information regarding the causes of the four extrapolation errors identified by the external auditors.
4. RESOLVED that the report be noted for assurance.

97. Other items which the Chairman decides are urgent
(Item 7)

There were no matters arising.