

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, 14 September 2023.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr D L Brazier, Mr A J Hook, Dr D Horne, Mr M A J Hood, Mrs S Hudson, Mr D Robey, Mr D Ross and Mr R J Thomas

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 Parris Williams and Miss K Reynolds (Democratic Services Officer)

UNRESTRICTED ITEMS

136. Introduction/Webcasting

(Item 1)

The Chair welcomed the new Members to the Committee. It was said that their presence at the meeting was understood as confirmation that they had undertaken the required training.

137. Apologies and Substitutes

(Item 2)

Apologies for absence had been received from Mr Chard and Mr Cooper. Mr Rayner was present as substitute for Mr Chard.

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

(Item 3)

Mr Rayner made a declaration as Deputy Cabinet Member for Finance, Corporate and Traded Services. The General Counsel confirmed that there had been consideration of the potential conflicts of interest in relation to this substitution.

139. Minutes of the meeting held on 6 July 2023

(Item 4)

It was RESOLVED that the minutes of the meeting held on 6 July 2023 are correctly recorded and they be signed by the Chair. There were no matters arising.

140. Election of Vice-Chair

(Item 5)

1. Mr Rayner proposed, and Mr Ross seconded that Mrs Hudson be elected Vice-Chair of the Governance and Audit Committee.
2. It was agreed unanimously that Mrs Hudson be elected Vice-Chair of the Committee.
3. RESOLVED that Mrs Hudson be elected Vice-Chair of the Governance and Audit Committee.

141. External Audit Plan 2022/23

(Item 6)

1. Mr Paul Dossett and Mr Parris Williams introduced the report. The three significant risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error were highlighted. These related to the valuation of land and buildings as at 31 March 2023; valuation of the net pension fund liability in the accounts; and the risk of management override of controls. Members were told that materiality at the planning stage of the audit had been determined at £43m. This was consistent with previous years.
2. It was said that there were seven risks of significant value for money weaknesses. The risk assessment work for 2022/23 had identified two new risks of significant weakness, in addition to those identified in the 2021/22 Auditor's Annual Report. The two new risks were 'Governance – behaviours and culture' and 'Economy, Efficiency and Effectiveness – statutory services in relation to Asylum Seekers'.
3. RESOLVED to note the report for assurance.

142. External Audit Progress Report and Sector Update

(Item 7)

1. Mr Parris Williams introduced the report which provided an update on the current progress of external audit work and a summary of emerging national issues and developments. It was highlighted that given the challenges facing Kent, it was of even greater importance that the Authority implements, and is seen to comply with, the recommendations of Internal Audit.
2. RESOLVED to note the report for assurance.

143. Internal Audit Progress Report

(Item 8)

Sue Chandler (Cabinet Member for Integrated Children's Services), Richard Smith (Corporate Director Adult Social Care and Health), Simon Jones (Corporate Director Growth, Environment and Transport), Kevin Kasaven (Director Children's Countywide Services), Sharon Howard (Area Manager, West Kent), Michelle Vickery (Financial Assessment and Income Manager) and Peter Carey (Income Manager) were in attendance for this item.

1. The Head of Internal Audit introduced the report which detailed the summaries of completed Audit reports for the period May – August 2023. The Head of Internal

Audit provided a brief overview of each summary. It was highlighted that the summaries in Appendix A included the highest proportion of Limited Assurances in an Internal Audit Progress report since at least 2019. There were five 'Limited', three 'Adequate' and two 'Substantial' assurance reports. In relation to 'CA10-2023 – LATCO Governance Arrangements', it was highlighted that the Gen2 lessons learned report had not yet been received by the Governance and Audit Committee. Members were told that, given the status of the Council's financial arrangements, the findings of the 'RB17-2023 - Compliance with Financial Regulations' should be a major concern.

2. In response to questions and comments from Members it was said that:
 - a) In relation to 'CS05-2023 - Social Care Debt Recovery', the overall outstanding debt was £42.3m, with £7.9m secured. The debt recovery process had been improved in line with Section 69 of the Care Act and statutory guidance. Following a restructure there would also be Income Recovery Officers specifically working to improve the levels of debt. The Income Manager would provide the overdue social care debtor numbers outside of the meeting. It was confirmed that other local authorities were experiencing similar challenges in relation to social care debt recovery.
 - b) Members requested that 'Spending the Council's Money' be reviewed in response to the findings of the 'RB16-2023 – Data Quality – LAS System – Risk of Overpayments' audit. Members were assured by the Director of Children's Countywide Services and the Area Manager that the service were taking the appropriate actions in response to the audit findings, including liaising with Commissioning and Finance colleagues. It was said that this was not a system-wide issue. Instead, it was an isolated incident that arose due to the change in portfolio holder. The Director Finance confirmed that an annual review was carried out on all the Council's payment controls and a report could be provided to the Committee on these wider controls.
 - c) In relation to 'RB24-2023 - Property Disposals', the Committee was reminded that non-Executive Members were only entitled to information that was necessary for effective scrutiny of decisions. The General Counsel would meet with the Director of Infrastructure to establish whether a register of property disposals could be provided to the Committee for assurance purposes, within the bounds of the local government transparency code 2015.
 - d) It was confirmed that the action plan for improvement in response to 'RB17-2023 – Compliance with Financial Regulations' included the delivery of bitesize workshops on the Financial Regulations and a more robust induction training provision following restructures. The General Counsel reminded Members that work was also being undertaken as part of the Annual Governance Statement 2021-22 actions to ensure widespread understanding of the Council's written governance.
3. It was agreed that the discussion and management response to the 'RB21-2023 - Contract Extensions' and 'CA07-2023 – Procurement' audits would be deferred to the October meeting due to technical difficulties.
4. RESOLVED to note the Internal Audit Progress Report for the period May to August 2023.

144. Internal Audit Annual Opinion

(Item 9)

1. The Head of Internal Audit introduced the report which detailed the overall outcomes and key themes from Internal Audit work undertaken during 2022-23 and the translation of these outcomes to the resultant annual opinion of “Adequate” on the Council’s systems of governance, risk management and internal control. The report also detailed the related performance of the Internal Audit service in delivering this work. It was highlighted that there had been an increase in the number of systems, processes or functions assigned a “Limited” assurance in 2022-23 to 35% compared to 9% in 2019-20. The findings of many audits identified issues of non-compliance which was said to indicate a need for a stronger financial 2nd line of defence within Directorates.
2. The Head of Internal Audit commented that the Council faces many challenges and that is a factor in the type of findings of Internal Audit, however it was emphasised that level of significant findings should not be occurring. It was further emphasised that there is a need for stronger first and second lines of defence within the Council to prevent such issues arising and not wait to be made aware of such serious issues when the third line of defence (which includes Internal Audit) undertakes a review.
3. In addition to core Internal Audit work, the team had undertaken additional tasks including the audit / certification of 56 grants.
4. RESOLVED to receive and note this report as a source of independent assurance regarding the risk, control and governance environment across the Council, noting the outcomes from 2022-23 Internal Audit work and the resultant ‘Adequate’ opinion to the Annual Governance Statement.

145. Audit Risk Assessment

(Item 10)

1. The Chief Accountant introduced the report which summarised management’s responses to questions on the Council’s processes in relation to general enquiries of management, fraud, law and regulations, going concern, related parties and accounting estimate. It was said that the completion of the questionnaire had been delayed due to the to delays in finalising and signing off the 2021-22 Statement of Accounts.
2. RESOLVED to consider and agree the management responses provided to Grant Thornton.

146. Annual Governance Statement Update

(Item 11)

1. The General Council provided a verbal update on the revised timeline for the Annual Governance Statement (AGS). It was said that Members would be provided with a more detailed progress report on the 2021/22 actions alongside the draft AGS 2022/23 in October 2023. Members would be invited to an informal briefing on the AGS ahead of the formal committee meeting.
2. RESOLVED to note the verbal update.

147. Other items which the Chairman decides are urgent

(Item 12)

There were no matters arising.

148. Internal Audit Progress Report
(Item 13)

1. The Head of Internal Audit introduced the exempt summaries of the 'Cyber Security Patch Management'; 'Assurance Mapping – Fraud & Error'; and 'Payment Card Industry Data Security Standards' audits.
2. In response to questions on the 'Payment Card Industry Data Security Standards' audit, it was agreed that the Director of Technology would be invited to provide an update to the Governance and Audit Committee.
3. RESOLVED to note the Internal Audit Progress Report for the period May to August 2023.