

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, 30 October 2025.

PRESENT: Ms C Black, Dr D Horne, Mr A Brady, Mr M Brown (Chairman), Mr A Cecil, Mr R Palmer, Mr M Paul (Vice-Chair), Mr J Finch, Mr M Munday, Mr G R Samme, Mr H Rayner and Mr M A J Hood

ALSO PRESENT: Mr B Collins

IN ATTENDANCE: Amanda Beer (Chief Executive), Ben Watts (Deputy Chief Executive), John Betts (Interim Corporate Director of Finance), Cath Head (Head of Finance Operations) Joe McKay (Acting Chief Accountant), Hayley Breathwick (Budget & Technical Accounting Manager), Mark Scrivener (Head of Risk and Delivery Assurance), Katy Reynolds (Governance Advisor), Paul Dossett (Grant Thornton), Lucy Nutley (Grant Thornton), Parris Williams (Grant Thornton) and Ruth Emberley (Democratic Services).

UNRESTRICTED ITEMS

336. Apologies and Substitutes

(Item 2)

There were no Member apologies or substitutions.

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

(Item 3)

There were no Member declarations of interest in any items on the agenda.

338. Minutes of the meeting held on 24 September 2025

(Item 4)

RESOLVED that the minutes of the meeting held on the 24 September 2025 were true and accurate record and a paper copy be signed by the Chair.

339. Verbal Update on Committee Business

(Item 5)

1. The Verbal Update on Committee Business was delivered by Governance Advisor, Katy Reynolds. Some of key points included:
 - a) Since publication of the Committee agenda for October, specific action points had been progressed as follows:

- i) Members had been provided with information which related to the Internal Audit Progress Report (GA035), that addressed questions raised at the previous Committee meeting in September. The information had been provided via the Microsoft Team Governance and Audit site, however, further information would be provided in due course.
 - ii) Governance and Audit Committee Members had been provided with a briefing on Kent County Council's Wholly Owned Companies. This would continue to progress and an action would be included in the Action Plan to reflect Member comments, particularly those in relation finance, which arose during the briefing.
 - iii) It was confirmed that Councillors would have the opportunity to speak about their role and purpose as Governance and Audit Committee Members. Whilst this was not currently included on the Action Plan, it would be followed up.
- 2. The Deputy Chief Executive, Mr Ben Watts clarified that the Lessons from 2023-2024 External Auditor's Report had been shared with the Corporate Management Team and discussion would take place as part of the Annual Governance Statement follow up actions.
- 3. In answer to a Member's comment, Mr Watts confirmed that he was committed to ensuring that future agendas would include detailed performance and finance updates in relation to the Kent County Council Wholly Owned Companies, the shareholder board subcommittee of the Cabinet and the financial information relating to the board of companies, previously requested by a Member at a previous Committee meeting.
- 4. RESOLVED that the Committee noted the verbal update on Committee Business.

340. 2024 / 2025 Draft Statement of Accounts and Annual Governance Statement
(Item 6)

- 1. The item was introduced by the Interim Corporate Director Finance, Mr John Betts.
- 2. Mr Betts explained that the Draft Statement of Accounts, the Annual Governance Statement and the External Auditor's Findings Report were intrinsically linked and needed to be approved, pending overall consideration, and suggested that the Committee that consider the recommendations separately, once all the items had been presented, before signing the Letters of Recommendation.
- 3. Sincere thanks were expressed to the Acting Chief Accountant, Mr Joe McKay, the Head of Finance Operations, Ms Cath Head and the Pension Fund and Treasury Investments Manager, Ms Sangeeta Surana, as well as all the officers involved in the preparation of accounts for their extensive work.
- 4. Acting Chief Accountant, Mr Joe McKay, clarified that Mr Betts' proposed way of dealing with the agenda items would enable the official documentation to be completed in relation to signing off the accounts for 2024/25 and explained the recommendation was for the Committee to approve the accounts, note Grant Thornton's Audit Findings Report and then both Letters of Representation would be

signed the Chair and Section 151 Officer for both the Kent County Council and Kent Pension Fund accounts.

5. Mr McKay confirmed that the publication deadline for the draft accounts for 2024/25 was met on the 30 June 2025 (inclusive of group accounts) as well as the inspection of the accounts window, which ran from 1 July 2025 to 11 August 2025, and the audit work has been completed well in advance of the audit backstop date of the end of February 2026.
6. It was confirmed that an all Member Training session on the statement of accounts process was held on Thursday 16 October 2025 and thanks was given to all who attended. The recording of the session has been shared on the Member Development site for anyone who was not able to attend.
7. Mr McKay explained to Members that the major accounting change was the implementation of IFRS 16 Leases which meant the recognition of right of use assets and lease liabilities on the balance sheet. After thorough testing, Grant Thornton concluded that the implementation was successful.
8. It was explained to Members that there were a few recommendations which require work between now and the closedown period for 2025/26.
9. Several Members raised concerns that the Cabinet Member for Finance was not present at the meeting in order to take questions. Mr Betts indicated that any technical questions relating to the statement of accounts would be best answered by senior finance officers, all of whom were present.
10. Some Members remarked that they found the absence of a responsible Member of the Administration to address questions unacceptable. It was proposed, and seconded, that the meeting be adjourned until such time that a competent Member of the Administration was present in order to answer questions on behalf of the Executive and decision making.
11. Members voted in favour of the motion and the Governance and Audit Committee was temporarily adjourned.
12. RESOLVED that the meeting was adjourned until such time that a competent Member of the Administration was present in order to answer questions on behalf of the Executive and decision making.

The Deputy Leader and Cabinet Member for Finance, Mr Brian Collins, was in attendance for this segment of the meeting.

13. Mr Collins explained to Members that he had attended previous Governance and Audit meetings and whilst he had been on hold to attend today, he was subsequently informed that he was not required. Mr Collins confirmed he had limited availability for the meeting but was content to take Member questions.
14. In answer to some Member questions, the following was said:
 - a) Mr Betts confirmed that the Council was within the boundaries set as part of the Treasury Management Strategy when the long term debt was of £50 million was paid off.

- b) Mr Collins confirmed that, currently, there was no indication of changing the formal scrutiny and decision making process of the Council.
 - c) It was confirmed that Kent County Council had a good relationship with the Commercial Services Group (CGS) and regular meetings and updates were provided to the Cabinet Member for Finance. A written response would be provided in relation to a Member's question around the acquisition details of WF Education, the WF Education Group Holdings Limited and WF Education Group Limited and the expansion of CSG.
 - d) It was confirmed that the accounts reflected the current financial position of Kent County Council and therefore any lease with a particular value, or at a peppercorn rate rent, would be reflected at the rate they current were (at the time of preparing the accounts).
 - e) It was confirmed that the 2024/25 reserves fund which was designed to aid the implementation of economic development and tourism initiatives still existed. Mr Collins commented that he was aware of the reserves however they were not available to assist the Visit Kent scheme, as very little notice was given when the scheme ended. A new brand and joint venture with Medway were being examined and funds were being discussed.
 - f) Mr McKay confirmed that the special funds balance was still in existence and currently earmarked for a particular building in Northfleet and therefore was not available for any other purposes.
 - g) Total reserves were reviewed as part of the budget setting process; general reserves form part of the Section 25 Statement which focuses on the adequacy of the Council's reserves and the analysis of these figures was yet to be finalised for the 2026/27 budget. Once this had been completed, it would be highlighted as part of the budget setting papers in February 2026.
 - h) It was explained that the salaries for both the Acting Corporate Director Finance and the Corporate Director Finance featured in the 2023/24 accounts because two individuals covered this statutory post in the same financial year.
 - i) Mr Watts confirmed that all previous financial decisions were taken in accordance with governance and in conversation with the external auditors. Mr Watts reminded the Committee that it was not appropriate to discuss employees who were no longer employed by Kent County Council.
 - j) Mr McKay confirmed that employee benefit expenses were staffing costs in from 2023/24 and 2024/25; this covered both payroll and agency costs. Any fluctuation in these figures related to the increases in pay between 2023/24 and 2024/25. A further break down of these figures could be provided, if Members found this helpful. Any questions relating to specific accounting adjustments would be dealt with outside of the Committee.
15. RESOLVED the Members APPROVED the Annual Governance Statement (AGS) FOR 2024/25;
- RESOLVED that Members CONSIDERED and APPROVED the Statement of Accounts for 2024/25.

341. 2024/2025 External Auditor's Auditor's Findings Report (Item 7)

The Deputy Leader and Cabinet Member for Finance was in attendance for this item

1. The item was introduced by Lucy Nutley, from Grant Thornton. Ms Nutley confirmed that the audit was complete and the opinion would be unmodified. No adjustment to the accounts other than disclosure errors had been identified.
2. Ms Nutley confirmed that the Value for Money was complete and significant weaknesses in the arrangements for ensuring financial sustainability arising from the high spends in Adult Social Care had been identified. No special auditor powers had been used during the audit year.
3. Materiality had been assessed at £55.5 million for the Council based benchmark of gross revenue expenditure. This figure did not change on receipt of the draft financial statements.
4. Significant risks identified as part of the audit work included:
 - a) Management override of controls (a standard risk in every audit and not specific to Kent) and nothing had been identified by the external auditors which required reporting.
 - b) The risk of fraud and error and revenue recognition (another standard risk) but auditors were about to rebut the risk where it was considered the inherent risk to be low. Grant Thornton rebutted the risk at the planning stage and nothing had been identified to change this conclusion.
 - c) The risk of fraud and error and expenditure recognition was purely focused in the public sector and nothing had been identified by the auditors.
 - d) Land building and investment property valuation was primarily assessed as a significant risk due to being subject to a high estimation. No issues arose from this.
 - e) Pensions accounting is also a risk due to the high values involved and management engaged the services of an Actuary to provide an evaluation of the Council's share of the Kent Pension Fund. Expert advice was obtained from Pricewaterhouse Coopers (PwC) to provide assurance over the assumptions used by the Actuary and there were no issues arising from the work and value of the pension liability.
 - f) In relation to IFRS 16, auditors identified good processes in place for the implementation of the new standard. It was previously identified as a significant risk but as the value was not material to the financial statement (as previously anticipated) this would drop off as a significant risk for the next year.
5. Ms Nutley confirmed that as part of the 2025/26 work, there could be a detailed review of the aged debt listing of the Adult Social Care debts taken in conjunction with the Authority.

6. It had been agreed by both management and Grant Thornton that the unadjusted misstatements were immaterial, and the decision had been made not to adjust the financial statements for these figures. The differences were drawn to Members' attention and included in the Letters of Representation, which would be signed.
7. In answer to Member questions and comments the following was said:
 - a) It had been agreed between Grant Thornton and Finance that the Adult Social Care debt would be reviewed in detail.
 - b) Ms Nutley explained that Grant Thornton used benchmark figures to calculate the Adult Social Care debt. These figures were based on a range of local authorities providing Adult Social Care and the figures used by the Finance team were more Kent specific. The aim was to go through the data to establish historically what had, and had not, been recovered to determine whether the percentage was reasonable.
 - c) The Head of Finance Operations, Mrs Cath Head, confirmed that the Council looked at default rates across different data points, which showed consistency over the past 3 to 4 years at approximately 7%. Bad debt write offs were also reviewed and equated to around 3% of bad debt provision. Although annual reviews were conducted, Grant Thornton and the Finance team would work together to resolve the difference as part of the 2025/26 audit work.
 - d) In connection with school finances and bank reconciliations whilst this had been raised in previous years, Ms Nutley confirmed that there had been a huge improvement, and the adjusted difference was lower this financial year due to the timing of the instructions sent out to schools.
 - e) In relation to the Dedicated Schools Grant, it was explained to Members that as part of Grant Thornton's assessment, all audited Councils were placed into 1 of 3 "boxes" (or informal categories):
 - i) Box 1 where the deficit was so low, it was almost immaterial.
 - ii) Box 2 which recognised that the Council had measures in place to mitigate their situation.
 - iii) Box 3 where the auditors had taken statutory action as the Authority had not taken any form of appropriate action.
 - f) Kent, like most of the Local Authorities audited by Grant Thornton, was in box 2. Mr Dossett commented that it was difficult to advise Kent on the next steps due to the national position and it was recognised that Central Government was yet to provide a solution, however the efforts Kent County Council had made in 2024/25 and 2025/26 were recognised. It was confirmed that the auditors were not minded to take any further action, at this juncture.
 - g) Mr Dossett explained that, in relation to the Adult Social Care debt, a statutory recommendation would be issued if the debt started to

impact the financial sustainability of the Council. Approximately half a dozen statutory recommendations were either issued, or in progress nationally, for the 2024/25 round of audits, many of which were around historical debts although some were around the Authority's inability to manage the in-year financial position and the threat to reserves. It was explained to Members that when the Adult Social Care debt started to threaten reserves in a material way, the auditors would consider the use of statutory powers.

- h) Members were reminded that the auditors could exercise statutory powers at any point and were not restricted to an annual process. The monitoring of the Council's financial performance was ongoing work and Grant Thornton would continue to offer commentary, as they saw appropriate.
8. RESOLVED that Members NOTED the Audit Findings Report (AFR) for Kent County Council and the Kent Pension Fund.

342. 2024/2025 External Auditor's Letters of Representation (Item 8)

1. The item was introduced by the Interim Corporate Director Finance, Mr John Betts.
2. Mr Betts explained to Members that by approving the recommendations set out under items 6 and 7 of the agenda, being the Statement of Accounts for the Local Authority and Kent Pension Fund, as well the Annual Governance Statement, the Committee were approving the Letters of Representation to be signed.
3. RESOLVED the Committee approved the recommendations set out under agenda items 6 and 7 and approved the signing of the Letters of Representation by the Chair and Corporate Director of Finance.

343. 2024/2025 External Auditor's Annual Report (Item 9)

1. The item was introduced by Mr Paul Dossett of Grant Thornton.
2. Mr Dossett reminded Members that the item previously came before the Committee in September 2025, when the summary of accounts was yet to be finalised. It was confirmed that no new material was contained within the report, other than an update on the accounts.
3. Mr Dossett confirmed that he would be presenting the report to all Kent County Council Members on 6 November 2025, at the Full Council meeting.
4. In answer to Member comments and questions, the following was said:
 - a) Mr Betts confirmed that as part of budget setting report, the movement of reserves from one area to another had been considered. Although it was highlighted by the Auditor's that a level of detail was missing, in the interests of transparency, the risks associated with moving funds from one reserve to another would be highlighted and form part of the budget papers. It was

confirmed that it could also be reviewed by the Governance and Audit Committee also.

- b) It was confirmed that the Outturn Report identified the ramification details of moving resources.
 - c) Mr Dossett confirmed that Local Government Reorganisation was the highest profile risk area for the counties involved and there was a regular forum for considering the activity of all councils in Kent. It was explained that, if Central Government made a decision, in accordance with the scheduled timetable, it would be delivered within approximately 2 years. During this period, Grant Thornton would focus on all risks for all Councils, including issues such as funding and spending reserves.
 - d) It was confirmed that Central Government was looking at a way forward for Special Education Needs and escalating costs, although an announcement had been made which confirmed these plans had been deferred. Consequently, engagement with the Safety Valve programme and other Department of Education (DfE) interventions had reduced, pending this change. Kent was in the same position, as other Authorities in that they had to resolve funding issues without support.
 - e) Mr Betts confirmed that Safety Value Authorities often liaised with one another to review progress; Kent was not alone in their frustrations around the lack of provisions for Special Educational Needs Schools which had been agreed as part of the Safety Value Agreement but then paused.
5. RESOLVED Members noted the External Auditor's Annual Report for assurance.

344. 2024/2025 External Audit Progress Report for Kent Pension Fund (Item 10)

The Pensions and Treasury Investment Manager Ms Sangeeta Surana was in virtual attendance for this item, via Microsoft Teams.

- 1. The Audit Progress report was presented by Mr Parris Williams from Grant Thornton. Mr Williams reminded Members that the report had already been presented to the Committee in September 2025, although since this time some small residual procedures had been completed. Mr Williams confirmed that the external auditors were able to issue an unqualified opinion.
- 2. Mr Williams provided some further context in relation to the extrapolated difference in relation to benefits payable. It was clarified that an analytical review and a sample test had taken place; the test was conducted by going back to the original award of the pension and then set an expectation based on PI rates, then looked at what the difference was between what paid and the figured calculated during the sample test. It was confirmed that in all cases the difference between these rates was small, around 2 to 3%.
- 3. When this percentage was projected against the entire balance of the fund, it equated to around £8.4 million, which was not material for the pension fund. It was highlighted to Members that the differences were due to items such as Guaranteed

Minimum Pension (GMP) equalisation. The test showed there were no material errors on the accounts.

4. Mr Williams confirmed that the general processes of the pension fund were good and commented that the accounts could have been signed off on 30 September 2025; if the accounts had been de-coupled, they could have been signed earlier.
5. In answer to Member questions and comments, the following was said:
 - a) Grant Thornton's views of journal and management override of controls were shared transparently, particularly where areas could be improved for best practice. Mr Williams stated that he was not concerned about the control environment, as it was consistent with other local Authorities.
 - b) It was confirmed that Management would need to have a system solution, rather than a manual process. With the implementation of the new Oracle system, the possibility of using this to resolve the issue would be one for management consideration.
 - c) Mr Betts confirmed that management was looking for a control mechanism as part of the system of the Oracle Cloud programme, however it was uncertain whether one could be easily incorporated.
6. RESOLVED Members noted the External Audit Kent Pensions Finding report and Draft Audit Opinion

345. Verbal Risk Management Update *(Item 11)*

1. The report was presented by the Head of Risk and Delivery Assurance, Mr Mark Scrivener.
2. Mr Scrivener highlighted the following points to Members:
 - a) Corporate Risk Register item CRR0065 - the Implementation of a fit for purpose of the Oracle Cloud System: Phase 1 had gone live. The implementation had gone well, although inevitably with some issues to work through, such as the capacity stretch on finance and other colleagues involved. Mr Scrivener explained the importance of keeping live to these risks and issues, as well as ensuring any temporary workarounds were being actioned effectively all the time that they are required. It was confirmed that this Corporate Risk would remain on the Risk Register, as phase 2 was approaching, which will impact the whole organisation
 - b) Corporate Risk Register item CRR0042 - Border Fluidity, Infrastructure and Resilience (in relation to the introduction of the EU's Entry-Exit System). KCC has been working with partners at a local and national level to assess potential implications for the county and prepare for various scenarios. It had previously been highlighted to the Committee that the risk rating, which at one point was at its maximum rating, had been reduced once it was clear that a phased approach would be employed by the EU, and further modelling at national level conducted. EES checks were due to commence at a 10% level starting with freight traffic and increase to 100% checks for all traffic over the

following 6 months. The current risk rating is applicable for day one of implementation and will be reviewed as the percentage of checks increases. The risk will stay on the register until that point has passed.

- c) The Authority's significant financial challenges needed to be raised as part of the risk update; it was acknowledged that discussions had taken place during the meeting which sought assurances around the mitigations in place (with an emphasis on Adult Social Care). It was expected that through Cabinet reporting and the budget process, these would be addressed.
 - d) Key upcoming events and external factors which could impact the Authority's corporate risks included the Chancellor's budget on the 26 November 2025 and subsequent Local Government Finance Settlement. In addition, several key elements of the outcome of the Fair Funding Review 2.0 would feed into the corporate risk profile.
 - e) The School's White Paper had been delayed until early 2026 to enable more consultation with stakeholders and will include information on planned reforms to the SEND system.
 - f) The risks and opportunities associated with Local Government Reorganisation were scheduled to be debated at the Devolution and Local Government Re-organisation Cabinet Committee on Monday 3 November 2025 and again at Full Council on 6 November 2025.
3. It was agreed that it would be useful for Members to be provided with some brief written details about the changes in the risk profile in future, to enable them to ask specific questions should they wish.
4. RESOLVED Members noted the verbal risk management update.