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To: Governance and Audit Committee Trading Activities Sub Committee - 3 March 2014

Subject: Protocol relating to companies in which KCC has an interest (the 'Protocol')

Classification: Unrestricted

Summary: Members are requested to recommend to the Governance and Audit Committee that it endorses / approves a number of proposed amendments to the Protocol, as outlined in paragraphs 3, 4, 5, 6 and 7 below.

FOR DECISION

INTRODUCTION

1. The proposed amendments to the Protocol relate to the following matters:
 - Provisions that must appear in 'KCC controlled' companies' Articles.
 - Assurance re. policies adopted by companies.
 - Participation in the Audit Commission's (or successor body's) National Fraud Initiative data matching exercise.
 - The requirement of a 'KCC controlled' company to, before it first appoints any person as auditor of the company, obtain the Audit Commission's (or successor body's) consent to the appointment of that person.
 - A requirement for company directors and company officers to lodge a copy of each set of Statutory Accounts submitted to Companies House with KCC Legal Services and KCC Finance.
2. An updated version of the Protocol showing the proposed amendments (using 'track changes') is attached at **Appendix 1**.

PROPOSED AMENDMENTS TO THE PROTOCOL

3. It is proposed that paragraph 4 (d) of the Protocol is amended to include the provision that where there is no Council representative on the board of a 'KCC controlled' company, it is the responsibility of the Corporate Director within whose remit the company's business lies to ensure that a full annual report of the company's activities is made to the Cabinet within 3 months after the end of its financial year.
4. It is proposed that paragraph 7 (d) of the Protocol is updated to make it clear that where a company adopts its own policies, assurance must be provided to the

Governance and Audit Committee Trading Activities Sub Committee that adequate policies and procedures are in place, with particular reference to anti-fraud and corruption.

5. It is proposed that paragraph 11 of the Protocol is augmented to include a provision that companies in which KCC has an interest must pass a resolution of the company to provide Internal Audit with all information and explanations required to participate in the Audit Commission's (or successor body's) National Fraud Initiative data matching exercise. This is mandatory for all wholly owned companies of the Council.
6. Under Article 9 of the Local Authorities (Companies) Order 1995 (SI 1995 No. 849), there is the requirement that a Local Authority Controlled Company, before it first appoints any person as auditor of the company, obtain the Audit Commission's (or successor body's) consent to the appointment of that person. Paragraph 14 of the Protocol has been updated to incorporate this requirement.
7. It is proposed that paragraph 19 of the Protocol is updated to include an additional requirement for company directors and company officers to lodge a copy of each set of Statutory Accounts submitted to Companies House with KCC Legal Services and KCC Finance.

RECOMMENDATION

8. Members are requested to recommend to the Governance and Audit Committee that it:
 - Approves the proposed amendments to the Protocol outlined in paragraphs 3, 4, 5 and 7 above.
 - Notes and endorses the proposed amendment outlined in paragraph 6 above.

Guy Record, BSS, Finance & Procurement