

## KENT COUNTY COUNCIL

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Thursday, 24 July 2014.

PRESENT: Mr R L H Long, TD (Chairman), Mr R H Bird, Mr J A Davies, Mr C P D Hoare, Mr E E C Hotson, Mr A J King, MBE, Mr S C Manion, Mr B Neaves, Mr C R Pearman (Substitute for Mr R J Parry), Mr J E Scholes, Mr W Scobie, Mr T L Shonk (Substitute for Mr H Birkby), Mr D Smyth and Mr M E Whybrow

ALSO PRESENT: Miss S J Carey

OFFICERS: Mr A Wood (Corporate Director of Finance and Procurement), Mr N Vickers (Head of Financial Services), Mrs C Head (Head of Financial Management), Miss E Feakins (Chief Accountant), Mr G Wild (Director of Governance and Law), Ms N Major (Head of Internal Audit), Mr P Rock (Counter Fraud Manager), Ms Y King (Schools Financial Services Manager), Mr M Scrivener (Corporate Risk Manager) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Ms E Olive from Grant Thornton UK LLP

#### UNRESTRICTED ITEMS

**17. Membership**  
*(Item 2)*

The Committee noted the appointment of Mr E E C Hotson and Mr S C Manion in place of Mr P J Homewood and Mr P J Oakford.

**18. Minutes - 30 April 2014**  
*(Item 5)*

RESOLVED that the Minutes of the meeting held on 30 April 2014 are correctly recorded and that they be signed by the Chairman.

**19. Dates of meetings in 2015**  
*(Item 6)*

The Committee noted the following dates of meetings in 2015:-

Thursday, 29 January 2015;  
Wednesday, 29 April 2015;  
Thursday, 23 July 2015; and  
Friday, 2 October 2015.

**20. Committee Work and Member Development Programme**

*(Item 7)*

(1) The Head of Internal Audit proposed an updated forward Committee Work and Member Development programme. She drew Members' attention to the CIPFA information tools contained in Appendices 2 and 3 of the report as these would be discussed at the next briefing session before the Committee's next meeting on 3 October 2014.

(2) The Committee noted that Members' briefing sessions on commissioning had been arranged to take place in early September. It was agreed that any additional requirements on this topic could be assessed after the September session.

(3) RESOLVED that:-

(a) approval be given to the proposed forward work programme and Member development programme to July 2015; and

(b) the evaluation tools recently published by CIPFA and contained at Appendices 2 and 3 of the report be noted.

**21. External Audit Update July 2014**

*(Item 8)*

(1) Mr Darren Wells from Grant Thornton LLP reported on progress on delivering their responsibilities for 2013/14 and also on emerging issues and developments.

(2) RESOLVED that the report be noted for assurance.

**22. External Audit Findings Report 2013/14**

*(Item 9)*

(1) Mr Darren Wells from Grant Thornton UK LLP gave a report on the findings from the audit of the County Council's 2013/14 financial statements. This report included the key messages arising from the audit work undertaken to address the risks identified in the Audit Plan presented to the Committee in April 2014. It also included the results of the work undertaken to assess the Council's arrangements to secure value for money.

(2) Mr Wells drew the Committee's attention to the unadjusted misstatement (set out on page 16 of the Audit Findings Report) in respect of £37,266k in relation to spend on assets that had been revalued in 2013/14.

(3) The Committee accepted the assurance given by the Corporate Director of Finance and Procurement that the overall impact of not adjusting the misstatement would be nil, and that the accounting practice would be amended for the year 2014/15.

(4) RESOLVED that:-

(a) the adjustments to the accounts of the Council be noted as set out in the appended report from Grant Thornton LLP;

- (b) approval be given to the non-adjustment of the misstatement set out on page 16 of the appended report for the reasons set out in the report from Grant Thornton LLP by the Corporate Director of Finance and Procurement; and
- (c) agreement be given to the management action plan set out in Appendix A of the report from Grant Thornton LLP.

**23. External Audit Pension Fund Audit Findings Report 2013/14**  
*(Item 10)*

(1) Mr Darren Wells from Grant Thornton LLP UK gave a report on the audit findings for the Kent Superannuation Fund. The report included the key messages arising from the audit work undertaken to address the risks identified in the Audit Plan presented to the Committee in April 2014.

(2) Mr J E Scholes reminded the Committee that he was the Chairman of Superannuation Fund Committee and expressed his thanks to all concerned in the production of the Pension Fund Financial Statements.

(3) RESOLVED that the findings in the report be noted.

**24. External Audit 2013/14 Value for Money Report**  
*(Item 11)*

(1) Ms Liz Olive from Grant Thornton UK LLP reported the results of the work undertaken to assess the Council's arrangements to secure value for money. As part of the VFM conclusion, Grant Thornton had undertaken a review of the Council's financial resilience in 2013/14 covering four areas: key financial indicators, strategic financial planning, financial governance and financial control. It had concluded that the arrangements were sound and had given a "green light" in the four key risk areas, with all but two "amber light" sub-areas not receiving a "green light".

(2) RESOLVED that the report be noted for assurance.

**25. Schools Audit Annual Report**  
*(Item 12)*

(1) The Schools Financial Services Manager gave a summary of the Schools Financial Services compliance programme and other activities undertaken during 2013-14 to enable the Corporate Director of Finance and Procurement to certify that there was a system of audit for schools which gave adequate assurance over financial management standards in Kent maintained schools.

(2) RESOLVED that the report be noted for assurance.

**26. Internal Audit Annual Report**

*(Item 13)*

(1) Mr C P D Hoare informed the Committee that he was the Director of a Community Interest Company. This was neither a Direct Pecuniary Interest nor an Other Significant Interest.

(2) The Head of Internal Audit summarised the content of the Internal Audit Annual Report, provided the opinion on the Council's system of internal control and provided comment on the performance of the Internal Audit section. She also explained that Internal Audit was now in its second year of self-assessment of conformance against the Public Sector Internal Audit Standards. Internal Audit was compliant with these standards with the exception of a couple of newer requirements which were now being progressed.

(3) The Committee requested that future Annual Reports should sub-divide the analysis of anti-fraud work between internal and external fraud.

(4) RESOLVED that:-

(a) the Internal Audit Report for 2013/14 be noted for assurance as set out in Appendix 1 to the report; and

(b) the key developments in relation to standards for Internal Audit be noted together with the plan to commission an independent review of conformance in 2015/16.

**27. Draft Statement of Accounts 2013-14**

*(Item 14)*

(1) The Corporate Director of Finance and Procurement and the Chief Accountant gave a report on the draft Statement of Accounts for 2013/14.

(2) The Committee thanked everyone in the Finance and Procurement section for the speed and quality of their work in bringing the accounts forward.

(3) RESOLVED that:-

(a) approval be given to the Statement of Accounts for 2013/14;

(b) approval be given to the Letters of Representation in respect of the Financial Statements for the Council and the Kent Superannuation Fund; and

(c) the recommendations made in the Annual Audit Findings Report be noted.

**28. Treasury Management Annual Review 2013-14**

*(Item 15)*

(1) The Head of Financial Services gave a summary report of Treasury Management activities in 2013/14.

(2) The Committee decided to recommend to the Council that it should agree the report.

(3) RESOLVED that approval be given to the Treasury Management Annual Review 2013/14 for submission to the County Council with a recommendation that it should be agreed.

**29. Debt Management**

*(Item 16)*

(1) The Head of Financial Services reported on the Council's debt position.

(2) RESOLVED that the report be noted for assurance.

**30. KCC Insurance Overview**

*(Item 17)*

(1) The Head of Financial Services gave a summary of Insurance Activity in 2013/14.

(2) The Committee agreed that it would receive regular reports on the liability, indemnity and insurance aspects of the Council's Transformation Programme as well as a separate report on its governance and audit aspects.

(3) RESOLVED that:-

(a) the report on debt management in 2013/14 be noted for assurance; and

(b) regular reports be submitted to future meetings of the Committee on the liability, indemnity and insurance aspects of the Council's Transformation Programme as well as a separate report on its governance and audit aspects.

**31. Corporate Risk Register**

*(Item 18)*

(1) The Corporate Risk Manager presented the Corporate Risk register to the Committee together with an overview of the changes since it had last been presented in December 2013 and an outline of the ongoing process of monitoring and review. He drew the Committee's attention to two new risks; "Public Sector Network – Compliance with Code of Connection" and "Implications of the Care Act 2014".

(2) The Committee asked for future reports to give an indication of direction of travel, explaining the reasons for each particular risk rating being raised or lowered.

(3) RESOLVED that the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register be noted.

**32. Review of Anti-Fraud and Corruption Strategy**

*(Item 19)*

- (1) The Counter Fraud Manager provided a summary of proposed amendments to the Council's Anti-Fraud and Corruption Strategy.
- (2) The Counter Fraud Manager confirmed that the Anti-Fraud and Corruption Strategy would be published on-line.
- (3) RESOLVED that approval be given to the revised Anti-Fraud and Corruption Strategy as set out in Appendix A to the report.

**33. Anti-Fraud and Corruption Progress Report**

*(Item 20)*

- (1) The Counter Fraud Manager provided a summary of progress of anti-fraud and corruption activity as well as the outcomes of investigations concluded since the last meeting of the Committee in April 2014.
- (2) RESOLVED that the progress of prevention and investigation of anti-fraud and corruption activity be noted.

**34. Mr Darren Wells and Mrs Neeta Major**

*(Item 21)*

- (1) The Chairman informed the Committee that Mr Darren Wells would cease to be the Council's external auditor before the next meeting of the Committee. He thanked Mr Wells on behalf of the Committee for his external audit work over the previous 8 years as a representative of firstly the Audit Commission and then Grant Thornton UK LLP.
- (2) The Chairman informed the Committee that this would be the last Committee at which Mrs Neeta Major would be present as the Head of Internal Audit. He expressed his personal gratitude for the advice and support she had given him and thanked her on behalf of the Committee for her invaluable work.