

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 Wednesday, 27 January 2016.

PRESENT: Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman), Mr M Baldock, Mr R H Bird, Mr D L Brazier, Mr C P D Hoare, Mr S C Manion, Mr R A Marsh, Mr B Neaves, Mr J E Scholes, Mr W Scobie, Mr D Smyth and Mr M E Whybrow

ALSO PRESENT: Miss S J Carey

OFFICERS: Mr A Wood (Corporate Director Finance and Procurement), Mr N Vickers (Head of Financial Services), Mr G Wild (Director of Governance and Law), Mr D Whittle (Director of Strategy, Policy, Relationships and Corporate Assurance), Mr R Patterson (Head of Internal Audit), Ms S Buckland (Audit Manager) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr P Hughes and Ms L Leka from Grant Thornton LLP UK.

UNRESTRICTED ITEMS

1. Membership (Item 2)

The Committee noted the appointment of Mr D L Brazier in place of Mr J A Davies.

2. Minutes (Item 5)

RESOLVED that:-

- (a) subject to two minor amendments, the Minutes of the Committee meeting held on 2 October 2015 are correctly recorded and that they be signed by the Chairman; and
- (b) the draft Minutes of the Trading Activities Sub-Committee meeting held on 23 November 2015 be noted.

3. Committee Work and Member Development Programme (Item 6)

(1) The Head of Internal Audit proposed an updated forward Committee Work Programme and Member development Programme following revised best practice guidance in relation to Audit Committees.

(2) RESOLVED that approval be given to the proposed forward Committee Work and Member development programme to January 2017.

4. Corporate Risk Register

(Item 7)

(1) The Director of Strategy, Policy, Relationships and Corporate Assurance presented the register together with an overview of the changes since it had last been presented and an outline of the ongoing process of monitoring and review.

(2) Comments made by Members of the Committee were that consideration should be given on whether to upgrade the Current Likelihood of Risk CRR 4 to (4) "Likely"; on whether Risk CRR 17 should be split into smaller sections; and on whether CRR 22 should include the risk of other Local Authorities not accepting KCC's Unaccompanied Asylum seeking children (UASC) referrals. A more general comment was made that consideration should be given to diverting resources from prevention to contingency planning in respect of cybercrime.

(3) RESOLVED that subject to the comments set out in (2) above, the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register be noted.

5. Review of KCC Risk Management Strategy, Policy and Programme

(Item 8)

(1) The Director of Strategy, Policy, Relationships and Corporate Assurance presented the revised draft Risk Management Policy and Strategy for approval. He explained that the proposed amendments were minor in nature as they related to structural changes within the County Council.

(2) RESOLVED that approval be given to the Risk Management Policy and Strategy for the year 2016.

6. Treasury Management 6 Month Review 2015/16

(Item 9)

(1) Miss S J Carey presented the Treasury Management 6 Month Review on behalf of the Deputy Leader and Cabinet Member for Finance and Procurement. She drew attention to the successful recovery of the deposits made in the Icelandic Banks.

(2) RESOLVED that:-

- (a) Mr Nick Vickers and his Team be thanked for their perseverance leading to the successful recovery of the deposits made in the Icelandic Banks; and
- (b) approval be given to the Treasury Management 6 Month Review report for submission to the County Council.

7. Debt Management

(Item 10)

(1) The Deputy Cabinet Member for Finance and Procurement, Miss S J Carey and the Head of Financial Services reported on the County Council's debt position. They explained that the report had been structured in such a way that the Sundry Health debt was separated from that of the various Directorates and client related debt. .

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

8. Update on Savings Programme

(Item 11)

(1) The Corporate Director of Finance and Procurement reported on progress towards the 2015/16 and 2016/17 budget savings. He explained that it was intended that by the time that the final budget was released in February 2016 there would be no Red (R) (High Risk) savings identified within it.

(2) RESOLVED that progress on the 2015/16 and 2016/17 revenue budget savings be noted for assurance.

9. Annual Review of the Committee Terms of Reference

(Item 12)

(1) The Head of Internal Audit reported proposed minor amendments to the Committee's Terms of Reference.

(2) RESOLVED that approval be given to the minor amendments to the Committee's Terms of Reference which are appended to these Minutes.

10. Future appointment of External Auditors

(Item 13)

(1) Mr P Hughes from Grant Thornton UK LLP informed the Committee that he had an Interest in this particular item and that he would take no part in its discussion.

(2) The Head of Internal Audit detailed the changes to the arrangements for appointing External Auditors at the conclusion of the 2017/19 audits, following the closure of the Audit Commission and the end of the transitional arrangements. He outlined the three options available to the Council, indicating a preference for Options 2 and 3 at this stage.

(3) RESOLVED that the future implications for external audit procurement arrangements be noted and that a further update report be presented to the Committee at its meeting in July 2016.

11. External Audit Update January 2016

(Item 14)

(1) Mr P Hughes from Grant Thornton UK LLP reported on progress on delivering their responsibilities for 2015/16 as well as the emerging issues set out in the report.

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

12. Effectiveness of Internal and External Audit Liaison

(Item 15)

(1) The Head of Internal Audit summarised the effectiveness of the liaison arrangements between Internal and External Audit. He stated that liaison was working effectively, with both signing up to the six procedural bullet points set out in the Appendix to the report.

(2) Mr P Hughes from Grant Thornton UK PLC stated that he was in agreement with the content of the Head of Internal Audit's report.

- (3) RESOLVED that the annual update on liaison arrangement between Internal and External Audit be noted for assurance together with the protocol set out in the Appendix to the report.

13. Internal Audit and Counter Fraud Progress Report

(Item 16)

(1) The Head of Internal Audit summarised the outcomes of Internal Audit and Counter Fraud activity for the 2015/16 financial year to date. He confirmed that he would report to the Committee on any matter that was a significant risk to the County Council.

(2) RESOLVED that approval be given to the Anti-Money Laundering Policy without amendment since it was last agreed in January 2015 and that the following be noted:-

- (a) progress and outcomes against the 2015/16 Audit Plan and relevant indicators;
- (b) progress and outcomes in relation to Counter Fraud activity;
- (c) Management's performance in implementing agreed actions from previous audits;
- (d) the overall assurances provided in relation to the Council's control and risk environment as a result of Internal Audit and Counter Fraud work completed to date;
- (e) the proposed service enhancements and emerging plans for 2016/17; and
- (f) the positive assurance around the current anti-money laundering Policy, following internal review.