

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Online on Tuesday, 21 July 2020.

PRESENT: Mr D L Brazier (Chairman), Mr R A Marsh (Vice-Chairman), Mrs R Binks, Mr R H Bird, Mr N J D Chard, Mr G Cooke, Mr D Farrell, Mrs S V Hohler, Dr D Horne, Mr H Rayner and Mr M E Whybrow

ALSO PRESENT: Mr R W Gough and Mr P J Oakford

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mrs C Head (Head of Finance Operations), Miss E Feakins (Chief Accountant), Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Mr J Flannery (Principal Auditor), Mr D Whittle (Director of Strategy, Policy, Relationships and Corporate Assurance), Mr M Scrivener (Corporate Risk Manager) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

14. Minutes - 22 January 2020

(Item 4)

RESOLVED that the Minutes of the meeting held on 22 January 2020 are correctly recorded and that they be signed by the Chairman.

15. Committee Work and Member Development Programme

(Item 5)

(1) The Head of Internal Audit provided an update on the forward Committee Work and Member Development programme following best practice guidance in relation to Audit Committees. He explained that the report reflected the current version of the programme and that changes might need to be reported to a later meeting in the light of the pending reviews of the effectiveness of the Committee and its Terms of Reference.

(2) The Head of Internal Audit asked the Committee to note that there would be an additional meeting on Tuesday, 1 September 2020 which would mainly consider Finance items.

(3) RESOLVED that approval be given to the forward Committee Work Programme and Member Development Programme as set out in the report.

16. Draft Statement of Accounts

(Item 6)

(1) The Chief Accountant introduced the draft Statement of Accounts. She explained that these had been produced in June and were now in the process of being audited. The final Statement would be reported to the September meeting of the Committee.

(2) Members of the Committee congratulated the Finance Team on producing the draft Statement under very trying circumstances and also commented positively on the two recent Workshops which had been well attended and had provided training and insight into the risks and assurances associated with the Statement.

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

17. Treasury Management Annual Review 2019/20

(Item 7)

(1) The Treasury and Investments Manager introduced the report which summarised Treasury Management activity in 2019/20. In response to a question, she said that the Externally Managed Investments market value had risen from £157.3m to £164m during the period April to June 2020.

(2) The Treasury and Investments Manager explained that deposits made to other Local Authorities were limited to six months' maturity. She agreed to provide an explanation of the rationale to all Members of the Committee and to discuss it separately with any of its Members.

(3) The Treasury and Investments Manager agreed to Members' requests to include reference to the National Audit Offices' report on Local Authority borrowing and property investment in commercial property in a future report. She also agreed to provide further details on the pooled funds.

(4) RESOLVED that the report be endorsed for submission to the County Council.

18. External Audit Interim Findings for Kent Superannuation Fund

(Item 8)

This item was considered after Item 9 (Minute 19).

(1) Ms Tina James from Grant Thornton (UK) LLP introduced the report on the External Auditor's interim Audit Findings for the Kent Superannuation Fund.

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

19. External Audit Update and Audit Plan for KCC and the KCC Superannuation Fund

(Item 9)

This item was considered before Item 8 (Minute 18) above.

(1) Mr Paul Dossett of Grant Thornton (UK) LLP introduced a report consisting of three documents which updated the Committee on progress for the Year ending 31 March 2020 and the Audit Plans for KCC and the KCC Pension Fund for 2019/20. He explained that, as was the case with all Audit Plans, those for KCC and its Pension Fund would include an assessment of the planned response to the COVID 19 pandemic.

(2) During discussion of this item, the Monitoring Officer agreed to facilitate discussions between Mr Rayner, other Committee Members and the Cabinet Member for Finance and Traded Services on the regularity with which LATCOs should be reported to the Committee.

(3) RESOLVED that the update report from the External Auditors be noted together with the Audit Plans for KCC and the Kent Superannuation Fund 2019/20.

20. Internal Audit Progress Report

(Item 10)

(1) The Head of Internal Audit introduced the report which gave an accumulative summary view of the work undertaken by Internal during the period January to July 2020, together with the resulting conclusions where appropriate. This included the provision of a supportive approach to the Council as a consequence of the Covid-19 pandemic, involving advice and assurance in new key risk areas which the Council now faced and had to manage.

(2) The Head of Internal Audit drew the Committee's attention to the summaries of 6 of the 25 completed audit reviews. These were: Risk Management; the Data Security and Protection Toolkit Compliance Review; ICT Project Management; Clinical Professional Development – Public Health; the Schools Themed review (Business Continuity Planning; and the Adult Social Care and Health Portfolio Board.

(3) The Head of Internal Audit agreed to provide Committee Members with details of the membership of the ICT Project Management Board as well as an explanation of the guidance provided by KCC to Schools for the Autumn Term 2020.

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

21. Counter Fraud Update

(Item 11)

(1) The Counter Fraud Manager reported on Counter Fraud activity undertaken during 2019/20 and the Counter Fraud Action Plan 2020/21. He said that the risk of Fraud was increasing as a result of COVID 19, and that this had required a review of the of the Counter Fraud Team's resources in response. Blue Badge and concessionary fares Fraud continued to be high-volume, low value activity.

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

22. Policy Reviews

(Item 12)

(1) The Counter Fraud introduced proposed revisions to the Anti-Money Laundering Policy; the Anti-Bribery Policy; and the Anti-Fraud and Corruption Strategy.

(2) The General Counsel replied to a comment made in respect of the Anti-Bribery Policy not being reflected in the KCC Member Code of Conduct by confirming that this would be considered by the Standards Committee during its pending review of the Code.

- (3) RESOLVED that the proposed revisions to the Anti-Money Laundering Policy, the Anti-Bribery Policy and the Anti-Fraud and Corruption Strategy be agreed.

23. Internal Audit Annual Report and Opinion 2019/20

(Item 13)

(1) The Head of Internal Audit introduced the Annual Report which detailed the overall outcomes and key themes from Internal Audit work undertaken during 2019-20; the translation of these outcomes to the resultant annual opinion on the Council's systems of governance, risk management and internal control that was incorporated into the Annual Governance Statement together with the related performance of the Internal Audit service in delivering this work.

(2) The Head of Internal Audit replied to a question on whether the reporting on findings in respect of LATCOs by saying that KCC Internal Audit function's role was to assess the arrangements for the County Council in respect of LATCOs rather than the LATCOs themselves.

(3) The Head of Internal Audit explained that the phrase "in progress" was a very wide definition of responses to delivery against the Internal Audit Plan. He confirmed that the Committee would continue to receive updates on delivery for those areas where the "in progress" definition had been used.

(4) RESOLVED that:-

- (a) the report be received as a source of independent assurance regarding the risk, control and governance environment across the Council, and
- (b) the outcomes from 2019-20 Internal Audit work be noted together with the resultant '**Adequate** opinion to the Annual Governance Statement.

24. Internal Audit and Counter Fraud Plan 2020/21

(Item 14)

(1) The Head of Internal Audit introduced the report which detailed the proposed Internal Audit and Counter Fraud Plan for 2020-21 as well as the Audit Charter, which underpinned the plans and practice of the KCC Internal Audit team. He explained that the content of the Plan needed to be flexible during the pandemic and that there was a strong possibility that amendments would need to be reported to future meetings of the Committee.

(2) RESOLVED that:-

- (a) the proposed Internal Audit and Counter Fraud Plan 2020/21 be agreed; and
- (b) approval be given to the Internal Audit Charter.

25. Corporate Risk Register

(Item 15)

(1) Mr R W Gough was present for this item. He introduced the report which presented the register to the Committee and also gave an overview of the main

Coronavirus (Covid-19) risks and issues identified up to this point and their impact on KCC's corporate risk profile. He said that the changes made to the register since the last meeting of the Committee reflected the vulnerability of partner organisations and the combination of risks posed by the potential increase in the threat posed by COVID 19, and the impact of Brexit transition and their overall impact on capacity and resources.

(2) The Corporate Risk Manager drew the Committee's attention to the increase in risk rating that had been identified for most of the risks on the register. He also asked the Committee to agree to hold a Risk Workshop, the timing of which would be agreed with the Chairman and Democratic Services. This was agreed.

(3) Members of the Committee commented on Risk CRR 0009 *Future financial and operating environment for local government*, noting its potential impact on KCC's ability to meet statutory requirements including safeguarding.

(4) The Corporate Risk Manager replied to Members' questions by saying that he expected the reviews of Risks CRR 0003, 0042 and 0045 to yield a clearer picture of these risks by the Autumn.

(5) The Corporate Risk Manager and the Leader of the Council replied to Members' question in respect of Risk CRR 0047 *Adequacy of support for children with Special Educational Needs and Disabilities (SEND)* by saying that this risk remained high despite the focussed improvements made in many regards. This was because the COVID 19 pandemic had placed enormous pressure on the timeliness of the production of Education, Health and Care Plans (EHCPs).

(6) RESOLVED that:-

(a) the report be noted for assurance; and

(b) a Risk Workshop be arranged for Members of the Committee at on a date agreed by the Chairman and Democratic Services.

26. Audit Risk Assessment

(Item 16)

(1) The Corporate Finance Director introduced the questionnaire from Grant Thornton and their summary of management responses to questions on the Council's processes in relation to general enquiries of management, fraud, law and regulations, going concern, and related parties and accounting estimates.

(2) In response to Members' questions, the General Counsel explained that assurance in respect of LATCOs was provided by the Head of Internal Audit, who was also the Auditor for the various KCC companies. Arrangements were in place for him to raise issues with the Shareholder Boards, himself as KCC's Monitoring Officer and/or the appropriate Cabinet Member(s).

(3) RESOLVED that the management responses provided to Grant Thornton be agreed.

EXEMPT ITEMS
(Open access to Minutes)

(Members resolved under Section 100A of the Local Government Act 1972 that the public be excluded for the following business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.)

27. Internal Audit Progress Report - Audit Summaries
(Item 19)

(1) The Head of Internal Audit presented progress reports in respect of the audits on: Wireless Network Security and Capacity; Information Technology; Agilysis – Contract Management; LATCOs Client-Side Contract Management; Special Educational Needs and Disability Follow Up; Non Household Waste Charging; and Highways Team Services Commissioning Programme Project Start Up / Initiation.

(2) In response to Members' questions, the General Counsel confirmed that a report on companies would be submitted to the next meeting of the Committee. This would include issues raised in respect of governance and responsibility.

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