

## 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 Tuesday, 23 July 2024.

PRESENT: Mrs R Binks (Chairman), Ms C Black, Mr A Brady, Mr N J D Chard, Dr D Horne, Mr M A J Hood, Mr C Passmore (Vice-Chairman), Mr S Webb and Mr M Whiting

ALSO PRESENT: Mr D Jeffrey and Mr H Rayner

IN ATTENDANCE: Mrs C Head (Head of Finance Operations), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Mr M Scrivener (Head of Risk and Delivery Assurance), Miss K Reynolds (Governance Advisor), Mr N Buckland (Head of Pensions and Treasury), Mr J Graham (Pension Fund Treasury and Investments Manager), Ms C Maynard (Head of Commercial and Procurement), Mr R Benjamin (Audit Manager), Ms D Chisman (Audit Manager), Ms A Palmer (Deputy Audit Manager), Mr R Smith (Audit Manager), Ms K Herbert (Deputy Audit Manager), Ms Louise Taylor (Deputy Audit Manager) and Mr J Betts (Acting Corporate Director Finance)

### UNRESTRICTED ITEMS

#### **216. Apologies and Substitutes**

*(Item 2)*

Apologies for absence had been received from Mr Bond and Mr Cooper.

#### **217. Declarations of Interest in items on the agenda for this meeting**

*(Item 3)*

There were no declarations of interest.

#### **218. Minutes of the meeting held on 16 May 2024**

*(Item 4)*

RESOLVED that the minutes of the meeting held on 16 May 2024 were a correct record and that a paper copy be signed by the Chairman.

#### **219. Governance and Audit Committee Annual Report to County Council**

*(Item 5)*

1. The General Counsel and the Chair introduced the report and reminded Members of the proposed governance timescales for the Governance and Audit Committee Annual Report to County Council. The Committee was encouraged to provide feedback to the Chair on the draft report. Members were told of the planned

reports, including the External Auditor's Annual Report, which would also be considered at the September County Council meeting. The timing of the reports aimed to provide Members with sufficient information ahead of the Budget meeting in February.

2. RESOLVED to delegate authority to Officers to finalise the Governance and Audit Committee's Annual Report to County Council in consultation with the Chair.

## **220. Annual Governance Statement Update**

*(Item 6)*

1. The General Counsel introduced the report which provided Members with an update on the approach to the Annual Governance Statement (AGS) for 2023/24. It was highlighted that the Committee would be asked to contribute to this year's process through a series of informal meetings with Officers.
2. RESOLVED to note the approach to the Annual Governance Statement for 2023/24.

## **221. Internal Audit Progress Report**

*(Item 7)*

*The Corporate Director Adult Social Care and Health; the Corporate Director Growth, Environment and Transport; the Director of Integrated Commissioning, Cabinet Member for Environment; the Cabinet Member for Highways and Transport; and the Deputy Cabinet Member for Adult Social Care and Public Health were in attendance for this item.*

1. The Head of Internal Audit and the Audit Manager introduced the report which detailed summaries of completed Audit reports for the period May to July 2024. There were 12 summaries of completed work of which 11 reports were finalised and 1 was draft at the time of publication. The Audit Manager highlighted some good examples of positive assurance, including two audits which were assigned the highest level of assurance: 'RB36-2024 – Data Security Protection Toolkit' and 'RB02-2024 – Performance Management'.
2. Members were told that the 'RB31-2024 – Helping Hand Support Scheme – Business Workstream Phase 1', assigned 'Limited' assurance, had originally been requested due to concerns over the administration of the scheme. It was highlighted that this was a COVID-19 grant administered during a period of unprecedented challenge. It was said that lessons had been learnt through the audit process and would be applied to other grant audits.
3. It was highlighted that there had been an overall decline in the implementation of agreed management actions by their due date from 40% as reported to February Governance and Audit Committee to 34% for this reporting period.
4. Questions for this item were taken under agenda Item 8: Internal Audit Annual Report 2023-24.
5. RESOLVED to note the Internal Audit Progress Report for the period May to July 2024.

## **222. Internal Audit Annual Report 2023-24**

*(Item 8)*

*The Corporate Director Adult Social Care and Health; the Corporate Director Growth, Environment and Transport; the Director of Integrated Commissioning, Cabinet Member for Environment; the Cabinet Member for Highways and Transport; and the Deputy Cabinet Member for Adult Social Care and Public Health were in attendance for this item.*

1. The Head of Internal Audit introduced the report which included 2 main elements:
  - The Annual Opinion with the analysis and evaluation which supports it and;
  - Internal Audit performance and compliance with professional standards.

It was emphasised that the coverage of the Internal Audit service is to support the effective delivery of the Council's objectives including how well risks can be managed as well as possible.

2. The overall opinion for 2023-24 was one of **Adequate** Assurance on the Council's systems of governance, risk management and internal control and this opinion is incorporated into the Annual Governance Statement.
3. Members were reminded of the challenging context within which the Council was operating in, and how this impacted the opinion for 2023-24. However, it was highlighted for pure assurance based work, there had that there had been a significant improvement and upward trajectory in the proportion of systems, processes or functions which were assigned an assurance level of "Substantial" or High" with 52% in 2023-24 compared to 26% in 2022-23. There was a decrease in the assigning of "Limited" assurance in 2023-24 to 13% from 35% in 2022-23.
4. For 2023-24, full implementation rates of agreed management actions had decreased to 34% in 2023-24 from 50% in 2022-23. There had been concerns regarding implementation rates for a number of years. Internal Audit commented that they would take additional action to assist in the monitoring and delivery of agreed management actions, will emphasise that the reports and actions aim to support the Council in managing risks to prevent things occurring that are not beneficial and work with senior management towards improving the culture towards these actions. Members were told that there was poor correlation between the prospects for improvement assigned at the end of an audit and the subsequent full implementation of actions.
5. The second part of the Annual Report related to the Internal Audit service itself and the following points were highlighted:
  - a) The extensive work undertaken on grant certifications in 2023-24;
  - b) The wide range of external clients that IA provide services to, which in 2023-24 has raised the highest level of income at £451k, which contributed towards a significant budget saving for the Council;
  - c) Compliance with professional internal audit standards, with reference to the new Global Internal Audit Standards that are being addressed for 2025;
  - d) The Quality Assurance and Improvement Programme (QAIP), which set out targeted improvements for 2024-25;
  - e) The first full year of reporting an increased in outcome based metrics which were highly positive;

- f) Client surveys at the end of each audit which concluded 93% satisfaction;
  - g) The Annual Perception survey to GAC members and CMT officers , which included positive responses and this year of the 11 questions asked, 7 had 100% strongly agreeing/ agreeing;
  - h) An overview of the resources of the service, highlighting positive recruitment when required, in a challenging market; and
  - i) That there had been no significant issues which impact upon the ability of the service to deliver in relation to independence and scope.
6. In response to questions and comments from Members it was said that:
- a) There were various reasons for which the full implementation of management actions had not been achieved, including optimism bias in setting deadlines, cross-directorate actions, and the Council's current operating environment. It was anticipated that, further to the recent meetings between the Corporate Management Team (CMT) and the Internal Audit Team, there would be an improvement in the implementation rate. However, Members sought further assurance. A progress report from management on the implementation of the agreed actions would be presented at the next meeting.
  - b) With regards to 'RB19-2024 – Schools Financial Services (SFS) – Contract Management', the Council's governance in relation to wholly owned companies separated the powers between commissioning and Council-side activity. This was in line with best practice. Following a request for clarification regarding contract management, it was agreed that the a paper providing further information would be considered as part of the agenda setting process.
  - c) Relating to 'RB31-2024 – Helping Hand Support Scheme – Business Workstream Phase 1', Members were assured by the Interim Corporate Director of Finance that there was no indication that the funding had been misused. Further clarification regarding the Internal Audit process in relation to advisory and follow-up audits would be provided to the Committee.
7. RESOLVED to note the report as a source of independent assurance regarding the risk, control and governance environment across the Council, noting the outcomes from 23-24 IA work and the resultant "Adequate" opinion to the AGS.

## **223. Risk Management Verbal Update**

*(Item 9)*

1. The Head of Risk and Delivery Assurance provided Members with a verbal update on the Corporate Risk Register. It was highlighted that a corporate estate risk survey had been completed and no further cases of reinforced autoclaved aerated concrete (RAAC) had been found in the Council's estate. Further to presentation to the risk owner, the risk would be de-escalated or closed as appropriate.
2. The risk rating of the risk relating to the Council's capacity to care for unaccompanied asylum seeking children arriving in Kent (UASC) had been reduced slightly, but remained high. Further information regarding the current operational and legal position could be found in the Cabinet report: [\(Public Pack\)Item 6 - UAS Children update report Agenda Supplement for Cabinet, 11/07/2024 10:00 \(kent.gov.uk\)](#).

3. Members were reminded that preparations were ongoing ahead of the introduction of the European Union's new Entry-Exit System.
4. In response to questions and comments from Members it was said that the Committee's tracking of the risk relating to the Council's financial position would be considered as part of the agenda setting process.
5. RESOLVED to note the verbal update.

## **224. Treasury Management Outturn Report 2023-24**

*(Item 10)*

1. The Pension Fund and Treasury Investments Manager introduced the report which provided an overview of Treasury Management activity in 2023-24 and developments in 2024-25. Members were told that there were indications that interest rates had peaked and it was anticipated that they may decrease following the Bank of England's Monetary Policy Committee meeting in early August 2024.
2. Members were told that the Strategic Pooled Funds portfolio was valued at cost in line with regulations. The accounting standard prescribing this - the IFRS 9 statutory override - was due to expire on 31 March 2025, and from 2025/26 the Council would be required to value the Strategic Pooled Funds portfolio at market value.
3. In response to questions and comments from Members it was said that:
  - a) The Treasury Management team were closely monitoring interest rates and would look at the potential to enter into additional external borrowing. It was expected that interest rates would start to decline in the second half of 2024 and to settle at a terminal rate of 3% by 2026.
  - b) Investments would be positioned to mitigate the risks associated with this decrease in interest rates. Members were told that a key risk was interest rates reducing more rapidly than expected. However, the age of the portfolio had been increased as a tool to mitigate this risk.
4. RESOLVED to endorse the report and recommend that it is submitted to County Council.

## **225. External Audit Progress Report and Sector Update**

*(Item 11)*

1. Ms Lucy Nutley introduced the report. Members were told that the Council had published the draft statement of accounts for 2023/24 on 31 May 2024, alongside the appropriate public inspection notice. Grant Thornton had started their audit fieldwork on both the Kent County Council Financial Statements and the Kent Pension Fund Financial Statements. The Value for Money (VFM) findings would be reported to the Committee in the External Auditor's Annual Report towards the end of 2024.
2. In response to questions and comments from Members it was said that:
  - a) There were some examples of other authorities where these returns were also delayed. However, KCC's three year delay was significant. There was no known financial impact of the late completion of the Teachers Pensions

returns. Members were told that KCC needed further information from the schools to progress.

- b) Members would receive an update on the Council's progress towards addressing the recommendations outlined in the previous year's VFM findings.
- c) The Committee's role in relation to the Council's productivity plans would be considered as part of a review of the Committee's Terms of Reference.

3. RESOLVED to note the report for assurance.

**226. Other items which the Chairman decides are urgent**  
*(Item 12)*

There were no matters arising.