

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 Thursday, 23 January 2025.

PRESENT: Mrs R Binks, Mr C Passmore, Mr A Brady, Mr S Webb, Mr M Hood and Dr D Horne

ALSO PRESENT: Mr R Gough, Mr D Watkins and Mr P Oakford

IN ATTENDANCE: IN ATTENDANCE: Mr B Watts (General Counsel), Mr J Betts (Interim Corporate Director Finance), Mr A Jeffery (Head of Resilience & Emergency Planning), Mr J Idle (Head of Internal Audit and Counter Fraud), Ms D Chisman (Audit Manager), Ms K Herbert (Deputy Audit Manager), Mr R Benjamin (Audit Manager), Mr R Smith (Audit Manager), Ms Louise Taylor (Deputy Audit Manager) Mr J McKay (Acting Chief Accountant), Mrs A Beer (Chief Executive), Mr M Scrivener (Head of Risk and Delivery Assurance), Mr T Godfrey (Senior Governance Manager) Miss K Reynolds (Governance Advisor) Ms C Maynard (Head of Commercial and Procurement Division), Mr P Dossett (Grant Thornton), Ms R Anderson (Head of Business Information, Strategy and Assurance), Ms Joanne Taylor (Head of Capital) and Miss R Emberley (Democratic Services).

UNRESTRICTED ITEMS

273. Introduction/Webcasting

(Item 1)

274. Apologies and Substitutes

(Item 2)

Apologies were received from Mr N Chard, Mr M Whiting, Mr T Bond, Mr O Richardson and Ms C Black.

275. Declarations of Interest in items on the agenda for this meeting

(Item 3)

There were no declarations of interest.

276. Minutes of both meetings held on 12 December 2024

(Item 4)

RESOLVED that the minutes of both meetings held on the 12 December 2024 were correctly recorded and that a paper copies be signed by the Chair.

277. Corporate Risk Register

(Item 5)

1. The item was introduced by the Leader of the Council, Mr Roger Gough.
2. Mr Gough drew Members' attention to summary contained within the report, which set out the issues brought before Cabinet on the 9 January 2025.
3. Mr Gough highlighted to Members the range of efforts undertaken to account for the various ways in which risk had changed, both in terms of scale and mitigation. The uncertainty of whether the Council had successfully joined the Devolution Priority Programme (DPP) was also raised as a factor. Mr Gough indicated to Members that Central Government were due to provide a letter setting out further information regarding reorganisation proposals and requirement.
4. It was confirmed that the underlying risks and challenges of 'business as usual' remained in place, whilst the two elements of the DPP and reorganisation continued to be debated.
5. The Head of Risk and Delivery Assurance, Mr Mark Scrivener, presented the report. Some of the key highlights were as follows:
 - a) Mr Scrivener drew Members' attention to section 2 of the report which summarised the main changes to the Register.
 - b) The delivery of the Oracle Cloud Programme would be added to the Corporate Risk Register.
 - c) The Care Quality Commission (CQC) risk had been removed as the inspection had now taken place. Once the outcome of this was known, any further risks and/or actions to be taken would then be discussed.
6. In answer to key comments and questions from Members, the following was said:
 - a) The Cabinet Member for Adult Social Care and Public Health, Mr Dan Watkins, explained that the contracts within Adult Social Care which totalled £600 million were for services such as Supported Living Accommodation and Residential Care, and had been reviewed by Committee several times before recommissioning. Mr Watkins indicated that he was open to a 'deep dive' examination to explore what else could be done to ensure the Authority was obtaining value for money and any lessons learned.
 - b) Mr Scrivener clarified that GT019 was taken from the breakdown of Growth, Environment and Transport Directorate risks. The current level was high, but the target level included was low, as this was the intended goal.

- c) Mr Watkins explained that Adult Social Care were trying to make £54 million worth of savings in the current financial year. The directorate was currently on track to save £30 million.
- d) In relation to CRR015 Adults Sustainability, Mr Watkins confirmed this was a high level risk, however there were many elements causing frustration, such as the unusually high increase in the national living wage, the Employers' National Insurance increase and the recently announced delay in Adult Social Care reforms.
- e) Mr Watkins explained that extensive work had been carried out with Adult Social Care providers through organisations KICA (Kent Integrated Care Alliance) and the National Care Association as there had been an indication that several providers may withdraw from the local market in 2025. Part of this work included writing to the Government Minister for Social Care to request exemptions from (or funding for) Employers' National Insurance increases that were due in April 2025.
- f) Care Cube produced cost intelligence which showed the individual costs of different care operations which made it possible to see where the profit margins of the various providers lay or the make-up of costs, to better understand the economic circumstances faced by different types of providers.
- g) The Cabinet Member for Finance, Corporate and Traded Services, Mr Oakford, confirmed in response to a Member's question, that the Ameila Centre in Tunbridge Wells was funded by the Borough Council and Kent County Council provided support. He explained to Members that there was a marked difference between Borough and County Council spending. The Council remained in a reactive maintenance position and no further borrowing would take place in the next financial year. The Asset Team were reviewing all buildings that KCC planned to retain, and any funds were being prioritised towards maintaining these. The buildings which KCC could not afford to maintain were being disposed of.
- h) The Interim Corporate Director Finance, Mr John Betts, confirmed a Comprehensive Spending Review would take place later during the year and it was hoped that this would lead to some multi year settlements. The successor to the Fair Funding Review would require close examination as it could lead to redistribution of resources across the whole of local Government.
- i) Mr Scrivener confirmed that he would ascertain the date in which the Kent Design Guide would be submitted to a Cabinet Committee and inform Members accordingly.

- j) The Head of Business Information, Strategy and Assurance, Ms Rebecca Anderson, confirmed that the first phase (Kent Communities Programme) had been completed however the Review of KCC's Estate was an ongoing project.
- k) Mr Betts confirmed contracts with social care providers would have built in agreements and an established way of reviewing prices which increased each year, instead of negotiating a price for each individual service package each year.
- l) The Head of Commercial and Procurement Division, Mrs Clare Maynard, explained that having indexation clauses reduced the need for risk pricing, as it provided an annual mechanism to consider cost increase and negotiate accordingly.
- m) Mr Watkins confirmed to Members that a strategic commission model was in place and had been working well.
- n) Mr Gough confirmed that the mitigation to corporate risks was set out in specific detail. In addition to the prominence given at Cabinet Committee meetings throughout the year (via quarterly performance report) extensive engagement between Leader, Cabinet, senior officers took place in relation to transparency with risk.
- o) In relation to border fluidity, the Head of Resilience & Emergency Planning, Mr Andrew Jeffrey, explained to Members that KCC were as prepared as they could be and were now waiting for further information on the implementation date for EES checks. Once this information was known, detailed planning could take place.

7. RESOLVED Members noted the Corporate Risk report for assurance.

278. External Auditor's Audit Progress Report and Sector Updates
(Item 6)

- 1. The report was presented by Mr Paul Dossett from Grant Thornton.
- 2. In answer to key comments and questions from Members, the following was said:
 - a) In terms of the Value for Money work, the December report submitted to Members focussed a lot on forward planning for financial sustainability and conversations with officers had taken place throughout the year. The majority of the Financial Statement Audit consisted of the final audit, although it was possible to conduct some planning and preparation. It was confirmed that the Council's financial position and planning for the 2024 / 2025 financial audit were as up to date as it could reasonably be expected to be.

- b) In relation to the Oracle Cloud Programme, Grant Thornton's Team had been in discussion with KCC concerning the process and implementation. It was confirmed that this would feature in the Value for Money work.
 - c) In relation to IFRS9, there had been a statutory override of valuations in place since 2018 which allowed Councils to have certain types of money market investment without the need for annual loss or gain on revaluation being charged to the revenue account. Mr Dossett stated that it was unknown when central Government would end the statutory override, however if they did, KCC would need to determine whether they wanted to take the risk of downsizing these types of investment funds.
 - d) General Counsel, Mr Watts, commented that the Committee would discuss their role, once the outcomes of Government were known. Mr Watts referred to the Annual Governance Statement which highlighted the process of papers going to County Council following the Governance Working Party and would provide an opportunity for the Committee to reflect.
 - e) Mr Dossett confirmed that Medway and all districts in Kent were audited by Grant Thornton. The only public body they did not audit was Kent Police.
 - f) It was confirmed that the Local Authority Major Road Scheme certification was a requirement from the Department of Transport. It was a certification that funds had been spent as directed.
 - g) It was confirmed that the questions set out on page 9 of the report would be responded to in writing and then provided to Members.
 - h) Mr Betts confirmed that the Authority experienced issues recruiting new staff (at all levels), although staff retention had improved. In Finance, work force plans were in place to try and mitigate the issue as far as possible.
3. RESOLVED Members to note the Progress Report and Sector Update.

279. MHCLG Consultation on Local Audit Strategy
(Item 7)

- 1. The report was introduced by Mr Betts.
- 2. Some of the key points to note were as follows:

- a) The Consultation was received at short notice and thanks was given to the finance staff who worked on the report.
 - b) It was pointed out to Members that the Consultation did not address how to avoid ministerial decisions being taken on items such as abolishing the Audit Commission without considering what will replace it.
 - c) The reliance on market mechanisms had not worked and it was questioned whether this was always the right approach in a regulated environment.
 - d) Some of the stakeholders referenced in the Consultation (who were involved in the redesign process) were also part of the initial issue. Although they were not referred to in the Council's response, Mr Betts indicated that until these points were highlighted, considered and responded to, there was nothing to prevent the same issues reoccurring in years to come.
3. In answer to Member comments and questions, the following was said:
- a) There were sensible questions contained within the Consultation and the Backstop was the only credible way to move forward, however, a market mechanism was used previously and this drove companies to a low rate. Once Authorities had gone through the Backstop, along with the external audit work it was hoped that the new balanced position would continue.
 - b) Mr Dossett commented that he was pleased that the Council had responded to the Consultation and support the comments made by Mr Betts. Grant Thornton was supportive of the Government's plans to establish the Local Audit Office.
4. RESOLVED Members noted and approved the proposed response to the MHCLG Consultation on Local Audit Strategy.

280. Internal Audit Strategy and Charter
(Item 8)

1. The report was presented by Head of Internal Audit and Counter Fraud, Mr Jonathan Idle.
2. Some of the key points were as follows:
 - a) The new Global Internal Audit Standards were now in place. One of the mandatory requirements was for each Internal Audit Service to develop a formal strategy. The strategy was designed to be concise and an in-depth analysis of the actions would be conducted in order to

deliver the strategy over a three year period, as per the requirements set out in the standards.

- b) The strategy sets out the vision of Internal Audit and the service's continual improvement within the 5 following areas:
 - How the service aligns their coverage to the strategic objectives and risks of the Council
 - Innovative approaches to auditing
 - Workforce planning and talent management
 - Creating financial value to the Council
 - Cultural of continuing improvement
 - c) It was confirmed that a draft version of the strategy had been submitted to the Corporate Management Team.
 - d) A new template was provided with the new standards by the Institute of Internal Auditors and it was this which formed the basis of the new Charter.
 - e) The Internal Audit Charter contained a mandate which set out the following: the Authority for the Provision of Internal Audit Services, Independence and Reporting Relationships, What an Audit Committee Should See of an Internal Audit Function, The Roles and Responsibilities of the Head of Internal Audit and What Needs to be Reported to Both Senior Management and an Audit Committee. There was also a section on Quality Assurance.
 - f) In terms of the Council's next external Quality Assurance Assessment (EQA), Mr Idle indicated that a meeting would take place with the Chair, Vice Chair and the Corporate Director about the EQA Process and arrange for the assessment to take place later on in the year. Once this had taken a place, a paper would be brought before a subsequent Committee which set out the process.
 - g) The Global Audit Standards had updated how Internal Audit sectors are resourced; Internal Audit was now under a public sector application which would reflect how budget decisions were made in Local Authority. This has also been taken to the Corporate Management Team for review and feedback.
3. In answer to Member questions and comments, the following was said:
- a) It was agreed that wording contained in the Strategy section of the report under the heading Creating Financial Value to the Council (page 82) would be amended from 'maximise' to 'optimise'.
 - b) Members indicated that The Quality Assurance Improvement Programme should be conducted every 4 years, rather than 5. It was

agreed that a further discussion would take place with Mr Idle and Mr Watts to see whether this change could be accommodated.

4. RESOLVED that Members:

- Approved the Internal Audit Strategy.
- Approved the Internal Audit Charter.

281. Internal Audit Progress Report

(Item 9)

The Corporate Director of Growth, Environment and Transport, Mr Simon Jones, was in attendance for this item via Microsoft Teams.

1. The report was presented by the Audit Manager, Ms Debbie Chisman, who addressed Members on the key points.
2. In answer to comments and questions from Members, the following was said:
 - a) Mr Betts explained that the likely forecast for the Oracle Cloud Programme was approximately £9 million over the initial quote. The funds to meet this were being utilised from the IT reserve. The cost increase occurred due to the age of the current IT system. The spend level was due to be reported to Cabinet as part of the quarterly monitoring.
 - b) It was confirmed that Internal Audit were embedded in the Oracle Cloud Project and highlighted many points within the Internal Audit report to the members of the Corporate Management Board.
 - c) It was suggested that the Senior Responsible Officer (Corporate Director for Growth, Environment and Transport), the Director of Technology and the Programme Manager should attend a future Committee meeting to address Members' questions regarding the implementation of the Oracle Cloud Project.
 - d) Mr Betts confirmed that use of capital receipt for funding concerned the overall balance of the Authority's budget and not the funding of the overspend. Transformational work was permitted to be capitalised.
 - e) It was confirmed that an external Programme Manager was in place to facilitate the Oracle Cloud implementation.
 - f) Mr Idle explained that the Oracle Cloud Programme was yet to be confirmed on prospects for improvement as he needed to finalise some details with the senior officer responsible.

- g) Mr Idle explained to Members that the purpose of a follow up report was to provide implementation details and therefore the format differed to that of a standard audit report.
 - h) Audit Manager Mr Richard Benjamin explained to Members that Internal Audit were on the programme board for the Highway Term Maintenance contract renewal and confirmed that the Counter Fraud Team would be conducting a fraud risk assessment.
3. Mr Jones confirmed a full and detailed commentary had been provided in response to the original audit report and actions plan, all of which had been progressed. Discussions concerning additional strengthening of the programme administration and programme management that the directorate wanted in place, remained ongoing.
 4. Mr Jones confirmed that if Members created a list of questions concerning the Oracle Cloud Programme he would be content to respond to them.
 5. In answer to a Member's question, Mr Jeffery explained that directorate were in the process of implementing a new business continuity management system. The new system would allow the service to closely monitor all business continuity plans in the future as well as imputing early action to ensure the plans remain updated. Internal Audit should audit the system in 2025/2026.
 6. In response to a Member's question regarding attendance at the Corporate Business Continuity exercise, (Exercise Jura), Mr Jeffery acknowledged that low attendance rates were an issue, however the Resilience & Emergency Planning Service did not have the power to compel services to attend. Attendance levels would be raised at the Cross Directorate Resilience Forum and escalated to the Corporate Management Team. Mr Jeffery confirmed that Kent County Council was classified as a Category 1 Responder and under the Civil Contingencies Act (2004) they had a duty to be prepared. The duty extends to the training of staff and running of exercises.
 7. RESOLVED that Members noted the Internal Audit Progress Report for the period of July and December 2024.

282. Verbal Update on Committee Business

(Item 10)

1. The item was presented by Governance Advisor, Ms Katy Reynolds.
2. Some of the key points were as follows:

- a) Actions GA004, GA019 and GA20 had all been completed since the last Committee meeting, either through the agenda setting process or via the Microsoft Internal Governance and Audit Team site.
 - b) A date correction applied to actions GA004, GA007 and GA019; these were recorded as being completed in January 2024 but should be January 2025.
 - c) In relation to action GA005 (which related to a planned visit to the Kent wholly owned companies) it was highlighted to Members that there was the option to express interest in this via the internal Microsoft Teams site. Members were encouraged to respond via the site or directly to Miss Reynolds.
 - d) Ongoing work was taking place in relation to action GA018 to ensure that the Committee was able to monitor the progress of the Annual Governance Statement actions.
 - e) Mr Watts confirmed that the Microsoft Governance and Audit Teams site would be used to track the progress of the Annual Governance Statement throughout the rest of the year. Some actions from the 2025 Annual Governance Statement had already been completed. The outputs from the Governance Working Party would be discussed at the March County Council meeting.
3. RESOLVED Members noted the update on Committee business.

283. Review of Committee Effectiveness and Proposed Updated Terms of Reference
(Item 11)

- 1. The report was presented by Mr Watts.
- 2. The following key points were highlighted to Members:
 - a) It was clarified that powers were not being removed from the Committee; the proposed changes were designed to removed duplication and to make the terms clearer.
 - b) There was a relatively low response to the survey and Members were encouraged to engage in the future.
 - c) In answer to a Member's question, Mr Watts explained that feedback had been taken into consideration when delivering mandatory training for new Members joining the Committee, as well as providing specialist guidance and advice on a more personal basis.

- d) Mr Watts confirmed that work on Member induction and Member development was currently underway. Part of this encompassed looking at mentoring and support of new Members.
 - e) Ms Reynolds drew Members' attention to page 141 of the agenda pack; point 17.8 should have been highlighted as a tracked change as a new point had been added to the revised updated terms of reference.
3. RESOLVED that Members:
- Considered and commented on the review of effectiveness.
 - Noted the suggested revisions to the Terms of Reference.
 - Would ask Selection and Member Services Committee to consider recommending the proposed changes to County Council for adoption.

284. Management Actions Update

(Item 12)

1. The Management Actions Update was introduced by the Chief Executive Ms Amanda Beer.
2. Some of the key points highlighted to Members were as follows:
 - a) The update was the first of two reports being brought to the Committee before the end of the current financial year. The update provided further information on Management Actions following the previous internal audit report.
 - b) The two key objectives Management Actions focused on clearing the backlog and the development of a new systematic approach to dealing with the actions.
 - c) There were 5 actions where Internal Audit felt insufficient progress had been made and these would be the focus of a deep dive at a Corporate Management Team meeting.
 - d) Improvements to the compliance rate had been made and new Management Actions had been carefully considered in terms of realistic timeline, clarity and relevance.
 - e) A further report would be brought to the Committee in March and further information on functionality would be added to the Governance and Audit Team site.
3. In answer to questions and comments, the following was said:
 - a) If the current rate of progress was sustained, it would take approximately 18 months to conclude. The systematic improvements

which were currently in place allowed for an increase in implementation of the actions. Directorate managers were providing the information Internal Audit required in order to close actions.

- b) Internal Audit were working with Management in relation to the practicality of timescales behind the Management Actions and realistic targets were being set.
- c) In terms of reassurance to Members, Ms Beer pointed out that some audits produced follow up actions, which resulted in a follow up audit. Some areas were subjected to consistent audits and therefore if issues reoccurred, this would be an indication to Members. In addition, Key Performance Indicators (KPIs) also demonstrated to Members that improvements were being made in terms of outcome.
- d) Mr Idle confirmed that Internal Audit worked collaboratively with the Corporate Management Team and met regularly with nominated specific points of contact for each directorate, before each action was due. A new audit software had been introduced which enabled automated information to be send to the owner of action and this allowed for a more streamline and efficient review process. It was hoped that significant progress would be made by the time the Annual Opinion took place at the end of the current financial year.

4. RESOLVED Members noted the progress update.

285. Other items which the Chairman decides are urgent
(Item 13)

There were no other matters arising.

286. Internal Audit Progress Report - Exempt Item
(Item 14)

- 1. The report was presented by the Head of Internal Audit and Counter Fraud, Mr Jonathan Idle.
- 2. Mr Idle took Members through the key highlights of the report and responded to questions and comments, with additional input from Mr R Smith, Mr D Watkins, Ms C Maynard and Mr B Watts.
- 3. RESOLVED that Members noted the Internal Audit Progress Report.

287. Update on Committee Request for Further Information
(Item 15)

- 1. The report was presented by the Interim Corporate Director of Finance, Mr John Betts.

2. Mr Betts referred to the previous Governance and Audit Committee where 4 specific issues were raised and had now been addressed in the report.
3. RESOLVED that Members noted the additional information in the report.