

## KENT COUNTY COUNCIL

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### 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, 6 July 2023.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr N J D Chard, Dr D Horne, Mr M A J Hood, Mr D Jeffrey, Mr H Rayner and Mr R J Thomas

ALSO PRESENT: Mr P Oakford

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mrs C Head (Head of Finance Operations), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Miss E Feakins (Chief Accountant), Mr Paul Dossett, Ms F Smith (Audit Manager) and Mr J Graham (Pension Fund Treasury and Investments Manager)

### UNRESTRICTED ITEMS

#### **122. Apologies and Substitutes**

*(Item 2)*

Apologies for absence had been received from Mr Hook and Mr Webb. There were no substitutes present.

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

*(Item 3)*

Dr Horne declared an interest in agenda item 6, Independent Member - Term of Office Review.

#### **124. Minutes of the meeting held on 18 May 2023**

*(Item 4)*

RESOLVED that the minutes of the meeting held on 18 May 2023 were correctly recorded. There were no matters arising.

#### **125. Governance and Audit Committee Training Programme**

*(Item 5)*

1. The General Counsel introduced the paper which provided an outline of the recommended training programme and minimum training requirements for Members and substitutes of the Governance and Audit Committee.
2. In response to questions and comments raised by Members it was said that:
  - a) The Part A training would be delivered in an inclusive way, in various formats, to ensure that Members could easily access the training. Given concern

regarding the limited number of trained substitutes, Part A training would be offered to all Members.

- b) Members were in favour of a training provision that included sessions from external providers.
  - c) The General Counsel would work with the Director Finance and Head of Internal Audit to share relevant professional updates with Members through the Teams channel.
  - d) Regarding the sustainability of the Committee and its trained membership, the General Counsel was working with the Deputy Returning Officer to prepare the Council for a range of potential outcomes of the 2025 KCC elections. The Committee would receive an update in January 2025 on the anticipated number of Members standing down at the end of this term.
3. RESOLVED to note and comment on the proposed training programme set out in the report.

## **126. Independent Member - Term of Office Review**

*(Item 6)*

1. Following his declaration of interest, Dr Horne left the meeting for the duration of this item.
2. The General Counsel introduced the paper which outlined the options available to the Committee for appointing co-opted members.
3. It was proposed and seconded that the current independent co-opted member's term be extended by a further two years and that a second independent co-opted member be appointed for a four-year term. In response to concerns regarding the appropriate way in which to stagger the terms of appointment, the General Counsel agreed to work with colleagues in HR through the recruitment process. The General Counsel would provide an update on the recruitment process to Members via email.
4. RESOLVED to:
  - a) Agree to continue having the current independent co-opted member on the Committee for a further two years, and to recruit a second independent member for a four year term;
  - b) Approve the role description set out in the appendix subject to a review of the remuneration for the role; and
  - c) Delegate to the Monitoring Officer, in consultation with the Chief Finance Officer and Head of Internal Audit, the authority to make arrangements for the recruitment process, following discussion with the Chair.

## **127. Annual Governance Statement Actions Update**

*(Item 7)*

1. The General Counsel introduced the report which provided Members with an update on some of the ongoing activity that was being progressed in response to the Annual Governance Statement 21/22. The General Counsel gave assurance to Members that a dedicated "AGS team" had been put together to deliver against each of the 13 actions in direct response to the comments of the Governance and Audit Committee. The General Counsel was confident that the AGS team would deliver the actions by the end of the calendar year. Members were told that there would be a number of informal workshops held over the summer related to the

ongoing work to ensure effective scrutiny of decisions, including an opportunity for Members to view the updated decision paperwork and processes. It was said that Members would be provided with a more detailed progress report on the actions alongside the draft Annual Governance Statement 2022/23 in September 2023.

2. The General Counsel said that the Annual Governance Statement 2022/23 would likely reflect the ongoing operational, strategic and fiscal challenges facing the Council. However, Members were assured that the remodeled questionnaire for the Annual Governance Statement 2022/23 was designed to allow for an even more open and honest assessment of the Council. It was also anticipated that the Annual Governance Statement 2022/23 would provide a more directorate-specific action plan which would allow the Committee to ask the relevant Corporate Directors for their response to the findings. In relation to materiality, the Governance and Audit Committee were reminded of the Code of Corporate Governance and the seven principles which should be a prism through which all activity is delivered, even in challenging circumstances.
3. In response to questions and comments from Members it was said that:
  - a) A report on the findings of Grant Thornton's deep dive on governance would be presented to the Governance and Audit Committee in October 2023. Mr Dossett said that the report would give an external review of governance at the Council and set out recommendations for future governance activity. This was not dissimilar to the agenda set out in the Annual Governance Statement.
  - b) The General Counsel said that the role of the Governance and Audit Committee was increasingly important given the challenges and pressures facing the Council. Committee Members were encouraged to request training in areas that they require development in.
  - c) The new decision templates could include a section on anticipated future financial implications of decisions to effectively highlight potential risks.
4. RESOLVED to:
  - a) Note the update on governance activity
  - b) Note the updated survey model for the Annual Governance Statement 2022/23
  - c) Comment on matters which will help inform the preparation of the draft AGS questionnaire for Members

## **128. Lessons to be Learned from Other Authorities**

*(Item 8)*

1. The General Counsel introduced the report which considered the learning opportunities that flow from the various interventions into other Councils.
2. Questions and comments were raised by Members including the following:
  - a) The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services expressed concern regarding the Council's financial position and its financial sustainability. He told the Committee that he and the Section 151 officer were engaging with failing councils to learn lessons from their Executive Members and senior officers, such as Croydon Council. Members were reminded that there was a clear separation of roles between Members

and officers in law, and that Executive Members would need to take tough political decisions to ensure the financial sustainability of the Council.

- b) In response to concerns raised by the Committee regarding the Council's spending, the Director Finance confirmed that she was working with Corporate Management Team colleagues to urgently review the Council's 'business as usual' approach. An update on work in this area would be provided to the Committee at the next meeting.
- c) Members expressed concern regarding the Council's debt-to-reserve ratios. The Section 151 advised the Committee that an all-Member briefing on the financial position of the Council, focusing on reserves and borrowing commitments, would be provided at a future date.
- d) The General Counsel reminded Members of the importance of the agenda setting process and using allocated Committee time to discuss items linked to the Council's risk register.

RESOLVED to note the report.

## **129. Update on the Governance of KCC Companies**

*(Item 9)*

1. The General Counsel introduced the report which recommended that to further improve the current arrangements, increase transparency, and to give power to the amended terms of reference for the Governance and Audit Committee, the Council's Shareholder Board become a formal sub-Committee of Cabinet. This arrangement would provide the Governance and Audit Committee with oversight of the Council's Shareholder Board as part of the Council's formal governance arrangements.
2. In response to questions and comments from Members it was said that:
  - a) The General Council would work with the Director Finance and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services to establish the reporting mechanisms for providing financial performance information to the Governance and Audit Committee.
  - b) The draft Terms of Reference for the sub-Committee would be shared informally with Governance and Audit Committee Members ahead of its formal consideration at the County Council meeting.
  - c) The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services provided assurance to Members that he did not have concerns regarding the Council's holding company.
3. RESOLVED to:
  - a) Agree that the Council's Shareholder Board become a formal sub-Committee of Cabinet
  - b) Recommend to County Council that this change be made, and
  - c) Instruct the Monitoring Officer to draft the necessary Governance changes

## **130. Rolling Internal Audit Plan 23-24**

*(Item 10)*

1. The Head of Internal Audit and the Audit Manager introduced the report which detailed the proposed Internal Audit Plan for 2023/24; the Internal Audit Charter, which underpins the plans and practice of the Internal Audit team; and the Key Performance Indicators (KPIs) to be tracked and monitored during 2023/24. Members were reminded that there had been a move to a rolling plan model to

ensure that Internal Audit were more responsive and adaptive to changing priorities and emerging risks. It was said that the prioritisation of the planned audits was constantly reviewed and that the scope of each audit would be determined based on a risk assessment. It was emphasised that the updated KPIs reflected an ongoing trend to increasing outcome-based monitoring of the Internal Audit service.

2. It was said that there had been no substantial change to the Internal Audit Charter this year. However, it was anticipated that there would be updates required following the Public Sector Internal Audit Standards and the Global Internal Audit Standard reviews.
3. In response to questions and comments from Members it was said that:
  - a) Consultancy audits were primarily carried out where the Internal Audit service could provide advice to Directorates in timely manner for project assurance and completion.
  - b) The prioritisation of the 'Use of Agency Staff' audit would be reviewed following concerns raised by the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services.
  - c) 'Spot' audits would be carried out as part of the planned activity for 2023-24.
  - d) The Head of Internal Audit said that the service would be open to the consideration of additional areas where assurance was required by the Governance and Audit Committee.
4. RESOLVED to:
  - a) Agree the proposed Internal Audit Plan for 2023/24
  - b) Note Priority 2 audits to be considered for the remainder of 2023/24
  - c) Approve the Internal Audit Charter
  - d) Note the Key Performance Indicators for 2023/24

### **131. Revised Accounting Policies**

*(Item 11)*

1. The Chief Accountant introduced the report which asked Members to note that there were no changes to accounting policies and to note the provisional external audit timetable. The Chief Accountant confirmed that, since the publication of the report, the draft 2022-23 Statement of Accounts had been published for public inspection within the provisional timetable. It was said that the audit had commenced in the first week of July 2023 as anticipated.
2. RESOLVED to note that there are no changes recommended to the accounting policies and to note the provisional audit timetable.

### **132. Treasury Management Annual Outturn Report**

*(Item 12)*

1. The Pension Fund and Treasury Investments Manager introduced the report and provided a brief overview of the factors influencing treasury management activity in 2022-23 and the developments in 2023-24.
2. In response to questions and comments from Members it was said that:

- a) As interest rates rise, the likelihood of a lender exercising their option to propose an increase in the interest rate for LOBO (Lender's Option Borrower's Option) loans increased. It was said that this was being monitored and that there were risk management plans in place.
  - b) The Council did not have outstanding loans to other local authorities.
  - c) The maturity structure of borrowing limits had been set to allow flexibility in terms of changing market conditions. The Treasury Management team monitored the maturity profile of the Council's outstanding debt to ensure it remained appropriate.
3. RESOLVED to endorse the report and recommend that it is submitted to County Council.

### **133. External Audit Progress Report**

*(Item 13)*

1. Mr Paul Dossett from Grant Thornton UK LLP introduced the report which provided an update on the current progress of external audit work and a summary of emerging national issues and developments. It was highlighted that there was ongoing work by DLUCH and the FRC to consider how to deal with the extensive local authority audit backlog. This work included a review of the scope of future audits.
2. RESOLVED to note the report for assurance.

### **134. Kent Pension Fund External Audit Plan 22/23**

*(Item 14)*

1. Mr Paul Dossett introduced the report which provided an overview of the planned scope and timing of the statutory audit of the Kent Pension Fund. It was highlighted that Grant Thornton's approach to materiality had changed since the prior year's report insofar that, while a higher overall materiality had been set at £115.6m, a lower specific materiality of £24m had been determined for Fund Account transactions for Kent Pension Fund audit.
2. RESOLVED to note the report for assurance.

### **135. Other items which the Chairman decides are urgent**

*(Item 15)*

There were no matters arising.

### **Post Meeting Note**

The Monitoring Officer provided the Committee with an update on a recent incident. Members were reminded of the importance of maintaining a culture where officers and Members could share pertinent and timely information confidentially.