

## 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, 1 February 2024.

PRESENT: Mrs R Binks (Chairman), Mrs S Hudson (Vice-Chairman), Mr A Brady, Mr D L Brazier, Mr P C Cooper, Mr M Dendor, Mr M A J Hood, Mr C Passmore and Mr S Webb

ALSO PRESENT: Mr P J Oakford and Mr N Baker

IN ATTENDANCE: 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, Mr J Flannery (Counter Fraud Manager), Miss K Reynolds (Democratic Services Officer), Mr D Adams (Assistant Director Education (South Kent)), Mr R Benjamin (Internal Audit Manager), Mr J Betts (Acting Corporate Director Finance), Mrs S Hammond (Corporate Director Children, Young People and Education), Mr M Hyland (Project Coordinator - East Kent Opportunities LLP), Mr S Jones (Corporate Director of Growth, Environment and Transport), Ms C McInnes (Director of Education), Ms F Smith (Audit Manager), Mr R Smith (Audit Manager), Ruth Davis (Intelligence Assistant) and Kevin Holyoake (Counter Fraud Specialist)

### UNRESTRICTED ITEMS

#### **172. Apologies and Substitutes** *(Item 2)*

Apologies for absence had been received from Dr Horne, Mr Chard, and Mr Ross. There were no substitutes present.

#### **173. Declarations of Interest in items on the agenda for this meeting** *(Item 3)*

There were no declarations of interest.

#### **174. Minutes of the meeting held on 23 November 2023** *(Item 4)*

RESOLVED that the minutes of the meeting held on 23 November 2023 be approved as a correct record.

#### **175. Membership** *(Item 5)*

The Committee noted that Mr Mike Dendor had replaced Mr David Robey on the Governance and Audit Committee.

## **176. Terms of Reference: Membership Update**

*(Item 6)*

1. The General Counsel introduced the report which proposed that the Terms of Reference be amended to include additional formal requirements around the membership of the Committee. This included the recommendation that former Executive Members may not serve on the Committee until two years had elapsed, and the recommendation that the restriction on serving on this Committee be extended to include Deputy Cabinet Members and the Chairs of other formal Committees.
2. In response to questions and comments from Members it was said that:
  - a) The draft changes to the Terms of Reference would be updated to exclude the current Chair of the Governance and Audit Committee from the formal restrictions.
  - b) It was agreed that former Executive Members had valuable experience and insight into the Council's governance. However, there was concern raised regarding their ability to objectively consider issues that related to their time in post. Based on the proposed amendments, former Executive Members would still be able to attend the Governance and Audit Committee as guests.
  - c) The Cabinet Member for Communications and Democratic Services confirmed that the thirty Members who would be affected by the proposed amendments had been contacted prior to the meeting. It was confirmed that there were no objections raised by Executive Members, Deputy Cabinet Members, or the relevant Chairs. However, concerns had been raised by former Executive Members.
3. RESOLVED to agree that the proposed changes to the Committee's terms of reference be presented to the Selection and Member Services Committee for discussion prior to presentation to County Council.

## **177. Annual Governance Statement**

*(Item 7)*

1. The General Counsel introduced the final draft of the Annual Governance Statement (AGS) for 2022/23. It was said that the format of the Statement, including the scheme of oversight, would be reviewed ahead of the publication of the AGS for 2023/24. With reference to the previous Internal Audit Findings report, a statement regarding compliance with the CIPFA Financial Management Code would be included in the final AGS for 2022/23 for the Section 151 Officer. It was said that the conclusions of the AGS for 2022/23 regarding required governance improvements were consistent with the prior year's statement. However, the General Counsel highlighted that he had been supported by a team in addressing the actions identified and these actions were being progressed quicker than in previous years. It was emphasised that the written governance was sound, however, there remained the need for a stronger culture of good governance within KCC.
2. In response to questions and comments from Members it was said that:

- a) The General Counsel was confident that governance at KCC would be improved by carrying out the actions included in the AGS for 2022/23. A progress tracker would be available to Members as a real-time standing item in the Governance and Audit Committee Teams site. Members were told that the compliance of systems and processes could be measured, and the impacts of the actions on these areas would be reflected in reports to the Committee. The impact on cultures and behaviours was, however, difficult to measure.
- b) A number of Members raised concerns regarding the effectiveness of Cabinet Committees in their current form, with particular reference to the perceived lack of meaningful engagement during meetings and the length of agendas. The Cabinet Member for Communications and Democratic Services assured the Committee that the Governance Working Party Membership included Conservative backbenchers and Opposition Group representatives. In addition, the Governance Working Party would be consulting with all Members to discuss the relevant recommendations from the Grant Thornton Governance Review.

3. RESOLVED to:

- a) Approve the Annual Governance Statement; and
- b) To delegate authority to the General Counsel to make any final, minor changes required prior to signature. Any major changes would be made in consultation with the Chair of the Governance and Audit Committee.

**178. External Audit Annual Report**  
(Item 8)

1. Ms Jo Taylor and Mr Paul Dossett introduced the report which analysed findings under financial sustainability, governance, and improving economy, efficiency, and effectiveness for 2022/23. There were significant weaknesses identified in all three areas including: an overspend and a history of under delivery against saving plans; a Limited Assurance Internal Audit finding for Financial Control in the Council; and an increase in Red rated corporate Key Performance Indicators (KPIs) for 2022/23 compared to 2021/22. Members were told that the auditors had considerable concerns about the Council's financial position and arrangements for financial sustainability. It was said that the auditors would consider the robustness of proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether statutory audit action was required.
2. In response to questions and comments from Members it was said that:
  - a) The time lag of audit means that the report relates to the 2022/23 year. Mr Dossett told Members that while the financial position of the Council had not seen significant improvement, the pace of the Council's reaction and response to external audit findings was moving in a positive direction. It was expected that there would be improvements in the governance findings and the economy, efficiency, and effectiveness findings in the 2023/24 Annual Report.
  - b) A tracker detailing the progress towards implementing the External Audit recommendations was in development and would be discussed further as part of the agenda setting process.
  - c) The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services confirmed that while the Revised Draft Revenue Budget 2024-25

was balanced, the one-off measures used to balance the proposed budget would need to be replaced by an equivalent level of savings in 2025-26 and 2026-27. The Council would consider all options, including the discontinuation of discretionary services, to secure the Council's financial resilience and sustainability.

- d) Mr Dossett confirmed that there were innate pressures on Adult Social Care that were not unique to KCC. It was said that demand-led services were difficult to manage financially, however, the findings suggested that further work was required to reduce demand and manage the associated costs. The service had recently undergone a restructure and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services had been assured that the new structure would address some of the challenges that they faced in the past.

3. RESOLVED to note the report for assurance.

### **179. External Audit Findings Report**

*(Item 9)*

1. Mr Paul Dossett introduced the report which provided the Committee with an update on progress since the 23 November 2023 meeting. The external auditors aimed to complete the audit by the end of February 2024. It was said that the Council's accounts were complicated, and that there were a number of technical accounting issues which were being resolved with officers. These did not have an impact on general fund balances.
2. In response to questions and comments from Members it was said that:
  - a) A tracking mechanism to demonstrate the implementation of the recommendations was in development. This would be circulated to the Committee for assurance.
  - b) The Head of Financial Management confirmed that her team was in contact with the implementers of the replacement finance system to determine whether this was a viable option for journal authorisation.
3. RESOLVED to note the report for assurance.

*At the conclusion of the meeting, Members requested that the Cyber Security appendix to the External Audit Finding report be considered in Part 2 of the March Governance and Audit Committee.*

### **180. Internal Audit Progress Report**

*(Item 10)*

1. The Head of Internal Audit and the Audit Managers introduced the report which detailed summaries of completed Audit reports for the period September to December 2023. It was said that the overall implementation of agreed management actions had decreased from 50% in the previous reporting period to 40%. This had been discussed with the Corporate Management Team and Internal Audit had requested a single point of contact in each directorate to liaise with on a regular basis to work towards improving the implementation rate.
2. In response to questions and comments from Members it was said that:

- a) The Internal Audit Team would provide Members with further information regarding 'RB24-2024 – Property Infrastructure – Processes and Functions Transferred to KCC from Gen2 Follow-up'.
  - b) The General Counsel said that there was an element of optimism bias in the original timeframes allocated to some of the management actions. However, the Chief Executive had emphasised to Corporate Management Team the importance of addressing the agreed actions currently in progress. The longer standing actions were being investigated in greater detail.
  - c) The Corporate Director Growth, Environment and Transport confirmed that the management actions relating to his portfolio area were complex, however, these were being implemented. The Corporate Director was hopeful that these would be fully implemented by the date of the next Committee meeting.
3. RESOLVED to note the Internal Audit Progress Report for the period September to December 2023.

### **181. Counter Fraud Update**

*(Item 11)*

1. The Head of Internal Audit told the Committee that the Counter Fraud Manager had received a special recognition award by the Fighting Fraud and Corruption Locally body for his influence in counter fraud in the local authority arena. Members congratulated the Counter Fraud Manager for this achievement.
2. The Counter Fraud Manager introduced the report which detailed Counter Fraud activity undertaken for the period of September 2023 to December 2023, including reported fraud and irregularities. It also provided an update on the Counter Fraud Action Plan for 2023/24 covering reactive and pro-active activity. It was said that there had been an increase in irregularity referrals compared to the same period in 2022/23. The increase was mainly driven by a rise in the number of people claiming support from KCC and associated due diligence checks, and by greater Blue Badge enforcement action by District/ Borough Council Parking Enforcement Teams. Members were told that there had been a benchmarking exercise carried out with five other local authorities and this had put Kent County Council in a positive position in relation to the way in which the enforcement strategy is carried out.
3. In response to questions and comments from Members it was said that:
  - a) Regarding Counter Fraud resources, the Counter Fraud Manager said that the team were operating at capacity and having to close Blue Badge cases due to insufficient resources. Members were told that the Counter Fraud team were adjusting their strategy in order to prioritise the more costly cases and to ensure the approach was as robust as possible.
  - b) The financial losses outlined in the reports were actual, recoverable losses. There were other metrics used by the Counter Fraud team regarding potential and prevented losses, however, these figures were not included in the report.
  - c) The financial loss of £3,393 due to a fraudulent request to change bank details within payroll at a maintained school had been caused by a spear-phishing attack. It was said that Artificial Intelligence was being used to strengthen these attacks. The review of KCC's Artificial Intelligence policy had been completed and this was an area that was being monitored closely. Continued advice and training was being provided to schools.
  - d) The Head of Internal Audit highlighted his concerns regarding the Counter Fraud resources and the wellbeing of the team given their extensive, rising

workload. It was said that this had been raised with the Corporate Statutory Officers.

- e) Fraud Awareness training sessions were being considered for all Members.
4. RESOLVED to note the Counter Fraud Update report for 2023/24 and note the progress of the Counter Fraud Action Plan for 2023/24.

## **182. East Kent Opportunities LLP**

*(Item 12)*

1. The Executive Project Co-ordinator - East Kent Opportunities LLP introduced the paper which provided an annual report on East Kent Opportunities LLP, including an update on recent activity. It was highlighted that the performance of the company relied on the disposal of properties for development purposes. The company had been impacted by economic downturn following its inception in 2008, however, it was now achieving the desired outcomes. Members were told that construction of commercial space on two of the three properties sold within the period had been completed.
2. RESOLVED to note the report for assurance.

## **183. Updated Financial Regulations and Scheme of Delegation**

*(Item 13)*

1. The Acting Corporate Director Finance introduced the report which summarised the updated Scheme of Delegation and Financial Regulations, prior to approval by County Council. The intention of the review was to create a more concise, easy to follow document whilst retaining the required content. This aimed to address the issue of staff understanding and would be reinforced by a communication strategy and a training offer.
2. RESOLVED to approve the revised Financial and Scheme of Delegation and recommend that they are presented to County Council for adoption.

## **184. Schools Audit Annual Report 2022-2023**

*(Item 14)*

1. The Assistant Director Education (South Kent) introduced the report which confirmed that there was a system of audit for schools, providing adequate assurance to the Chief Finance Officer over their standards of financial management and the regularity and propriety of their spending.
2. In response to questions and comments from Members it was said that:
  - a) Further information regarding the four schools in deficit would be provided to Members outside of the meeting. Members were assured that the Schools Financial Services worked closely with schools that were in a deficit position, and those identified through the monitoring process as being at risk of falling into deficit.
  - b) During the period April 2022 to March 2023, 99 maintained schools were visited. The compliance programme set out the criteria of a school visit once every four years and, therefore, only a proportion of all maintained schools were visited for this audit period.

- c) The comprehensive finance training programme for Headteachers, senior leaders, bursars and governors covered relevant issues and ensured that these individuals were aware of the procedures in place.
3. RESOLVED to note the contents of the report for assurance.

### **185. Management Follow Up of SEND Transport Lessons Learned Review** *(Item 15)*

1. The General Counsel, Corporate Director of Children, Young People and Education, and Corporate Director for Growth, Environment and Transport introduced the report which provided an update on the significant work completed in response to the lessons learned report and the experience of families, both within the directorates and across the organisation. Members were told that a formal memorandum of understanding between KCC and Kent PACT had been implemented.
2. The Cabinet Member for Education and Skills assured Members that he was of the view that this service was returning to business as usual. It was said that there had been good progress between the relevant directorates to identify cross-directorate projects at the earliest interval. The Cabinet Member for Highways and Transport confirmed that there were good outcomes in terms of the provision of transport for September 2023.
3. Members welcomed the report which had taken into account the concerns raised by the Committee at the November meeting.
4. RESOLVED to:
  - a) Note the update provided.
  - b) Agree that the Committee will receive a report in 12 months' time for assurance, including data analysis and commentary on the risk assessment and management of SEND Home to School Transport, with a section contributed by PACT including parental/carers views.

### **186. Other items which the Chairman decides are urgent** *(Item 16)*

There were no matters arising.

### **187. Internal Audit Progress Report** *(Item 17)*

1. The Head of Internal Audit and the Audit Manager introduced the report containing three progress reports: 'ICT01-2024 – Single Data Platform Review', 'ICT02-2024 – Artificial Intelligence' and 'ICT04-2023 – Disaster Recovery'. These were exempt under section 15.15(g) of the Constitution. It was confirmed that the conclusions of the audits were based on discussions throughout the audit process and took into consideration the management response in each case.
2. RESOLVED to note the Internal Audit Progress Report for the period September to December 2023.

