

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room - Sessions House on Wednesday, 24 April 2019.

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 D Farrell, Mrs S V Hohler, Mr M J Horwood, Mr H Rayner and Mr M E Whybrow

ALSO PRESENT: Miss S J Carey, Mr P J Oakford and Mr R L H Long, TD

IN ATTENDANCE: Mr R Patterson (Head of Internal Audit), Ms S Buckland (Audit Manager), Mr B Watts (General Counsel), Mrs C Head (Head of Finance Operations), Miss E Feakins (Chief Accountant), Mrs A Mings (Treasury and Investments Manager), Mr K Abbott (Director of Education Planning and Access), Mr R Fitzgerald (Performance Manager), Mr D Smith (Director of Economic Development), Mr N Smith (Head of Development and Investments), Mr M Riley (Economic Development Officer (Expansion East Kent Programme)), Mr M Hyland (Project Co-ordinator – Kings Hill) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

13. Minutes - 23 January 2019
(Item 4)

RESOLVED that the Minutes of the meeting held on 23 January 2019 are correctly recorded and that they be signed by the Chairman.

14. 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.

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

15. Appointment of an Independent Member to the Governance and Audit Committee
(Item 6)

(1) The Head of Internal Audit presented a follow-up to the in-principle decision to appoint an independent member to the Committee for a two-year trial

period. The report gave suggestions on the underlying details around the independent member's role and remit, together with a recruitment timetable. The report also developed the concept of annual confidential meetings with the Heads of Internal and External Audit.

(2) The Committee agreed to amend the text of the Specification and the advert so that the candidates should not be an active member of a political party rather than not being engaged in any political activity.

(3) RESOLVED that subject to (2) above, approval be given to:-

- (a) the appointment an independent member starting from the July 2019 meeting of the Committee on the basis of the specification set out in Appendix A to the report;
- (b) the setting up of a member recruitment panel to appoint the independent member;
- (c) the General Counsel be given delegated powers to make the consequential amendments to the Terms of Reference of the Committee, including its constitution; and
- (d) the concept of annual confidential meetings with the Heads of Internal and External Audit being introduced shortly before or after the July meeting of the Committee.

16. Internal Audit and Counter Fraud Progress Report *(Item 7)*

(1) The Strategic Audit Manager summarised the outcomes to date against the 2018/19 Internal Audit and Counter Fraud Plan.

(2) The Chairman agreed to write to the Leader of the Council to set out the Committee's concerns over the lack of effective engagement between the Community Infrastructure Levy – charging authorities and KCC.

(3) The General Counsel agreed to inform the Corporate Director GET of a suggestion made during discussion of this item that Joint Infrastructure Boards could be created along similar lines to the Joint Transportation Boards.

(4) The Committee discussed paragraph 2.16 of Section 2 of the report (Data Security and Protection Toolkit). It requested that the next report should include details of those tests that were not complete and evidence-based.

(5) RESOLVED to note:-

- (a) progress and outcomes against the 2018/19 Internal Audit and Counter Fraud Plan;

- (b) the indicative Internal Audit opinion for 2018/19; and
- (c) amendments to the 2018/19 Audit Plan.

17. Internal Audit and Counter Fraud Plan 2019/20

(Item 8)

(1) The Head of Internal Audit introduced a report detailing the proposed Internal Audit and Counter Fraud Plan for 2019/20 as well as the Audit Charter and Anti-Fraud and Corruption Strategy, both of which underpinned the plans and practice of the Internal Audit team.

(2) RESOLVED that approval be given to:-

- (a) the proposed Internal Audit and Counter Fraud Plan and Counter Fraud Plan for 2019/20;
- (b) the Internal Audit Charter and revised Internal Audit Assurance Levels; and
- (c) the proposed changes to the Anti-Fraud and Corruption Strategy.

18. Update on response to the Internal Audit report: SEND including Education, Health and Care Plans and High Needs Funding

(Item 9)

(1) The Director of Planning and Access introduced a report on progress in meeting the areas for improvement relating to Special Educational Needs (SEND) following Internal Audit's advice that it was only able to provide limited assurance that SEND was effective and within acceptable risk parameters. This had led to the Director, Education Planning and Access being engaged directly with improvement in the area, setting up a comprehensive plan of action to address process, data management and oversight. These actions were already in place. Some interim arrangements were in place as the actions also needed to take account of the recent Ofsted/CQC local area inspection.

(2) RESOLVED that:-

- (a) the progress already made following the Internal Audit report be noted for assurance, together with the further work underway to address the identified areas for improvement; and
- (b) a further report on progress be submitted to the Committee meeting on 3 October 2019.

19. Data Quality Policy

(Item 10)

- (1) The Head of Performance and Analytics introduced proposed minor changes arising out of the most recent review of the Data Quality Policy.
- (2) RESOLVED that approval be given to the revisions to the Data Quality Policy set out in Appendix 1 to the report.

20. Treasury Management Update
(Item 11)

- (1) The Treasury and Investments Manager gave an update report on Treasury Management activity for the financial year up to the date of the report.
- (2) The Treasury and Investments Manager was requested to include comparative cash balances from previous years in future reports.
- (3) RESOLVED that the report be noted for assurance.

21. Revised Accounting Policies
(Item 12)

- (1) The Head of Finance Operations introduced a report asking the Committee to approve amendments to Accounting Policies IFRS 15 *Revenue from Contracts with Service Recipients* and IFRS 9 *Financial Instruments*.
- (2) RESOLVED that approval be given to the additions and amendments to the accounting policies as set out in the Appendices to the report.

22. External Audit Update and Audit Plans for Kent County Council and Kent Superannuation Fund 2018/19
(Item 13)

- (1) Mr Andrew Mack and Ms Tina James from Grant Thornton LLP were present for this item and introduced a report providing an update for the current year together with plans for proposed external audit work to enable them to give an audit opinion on the Council's 2018/19 financial statements, including the Kent Superannuation Fund.
- (2) Mr Whybrow noted that there had been no answer to the question he had asked in October 2018 on whether reports on individual objections to the financial statements could be reported to the Committee, or whether a generic report could be provided on the single objection which had been sent to a number of Local Authorities. Mr Mack said that Grant Thornton expected to be in a position to provide a response to the next meeting of the Committee.

Following the meeting, Grant Thornton issued the following statement and requested that it be included in the Minutes:

Under Item 13, "External Audit Update", Mr Andy Mack of Grant Thornton referred to a recent meeting with the National Audit Office in respect of local authority objections. Mr Mack would like to clarify that the meeting was a Briefing Session held by the NAO and attended by a number of audit firms, and not a meeting called to discuss PFI. The briefing covered the use of auditors' powers and duties, including Statutory Recommendations and Reports in the Public Interest. PFI was not specifically covered at this meeting. Mr Mack apologises for any confusion caused. Grant Thornton confirm that the firm will be issuing a Provisional View in respect of the objection shortly.

(3) RESOLVED to:-

- (a) note current progress on external audit work;
- (b) note the outcomes of Grant Thornton's updated risk assessment; and
- (c) approve the audit plans for Kent County Council and the Kent Superannuation Fund for 2018/19.

23. Fraud Law and Regulations and Going Concerns Considerations
(Item 14)

(1) The Head of Finance Operations presented management's draft responses to questions from Grant Thornton on the County Council's processes in relation to fraud, law and regulations and going concern considerations.

(2) The Committee considered the response to the question: "*has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?*" It asked for the first sentence to be amended to: "*The risk is considered to be minimal.*"

(3) RESOLVED that subject to (2) above, approval be given to the management responses provided to Grant Thornton.

24. Performance of KCC wholly owned Companies 2017/18
(Item 15)

(1) The Chief Accountant presented a report on the performance of KCC wholly owned companies for 2017/18.

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

25. Statutory Accounts for those companies in which KCC has an interest
(Item 16)

(1) The Chief Accountant and the Head of Development and Investments presented a report giving the latest available statutory accounts for those companies in which KCC has an interest.

(2) During discussion of this item, the Committee agreed to consider questions on the performance of Invicta Law as Exempt Information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act. These questions were considered at a later stage following Item 21 (see Minute 28).

(3) Mr R L H Long, Cabinet Lead Member for Traded Services replied to questions on Invicta Law by explaining the measures he had taken in his capacity as Chairman of the Company Shareholder Board.

(4) Following the Exempt discussion, the recommendations contained in the report were agreed.

(5) RESOLVED that the contents of the report be noted for assurance.

26. East Kent Opportunities LLP
(Item 17)

(1) The Chief Accountant and the Head of Development and Investments presented a report on East Kent Opportunities LLP including an update on recent activity.

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

27. Regional Growth Discovery Park Technology Investment Fund
(Item 18)

(1) The Director Economic Development provided an update and summary on the Equity Investment Fund since the Regional Growth Fund programmes were launched in 2012.

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

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 paragraphs 5 and 6 of Part 1 of Schedule 12A of the Act.)

28. Regional Growth Discovery Park Technology Investment Fund
(Item 21)

(1) The Director, Economic Development provided an update and summary on the equity investments Programme/Fund made since the Regional Growth Fund programmes were launched in April 2012. This report contained two appendices provided by NCL under conditions of commercial confidentiality. The first of these was the *Indicative Valuation of KCC Equity Investments* which provided details of all the shareholdings in 10 companies. The second was the *DPTI Valuation* which provided details of all shareholdings and valuation on 8 companies.

(2) The Committee asked detailed questions about the performance of one of the companies.

(3) The Committee agreed to note the report but not for assurance.

(4) RESOLVED that the report be noted.