Local Authority Trading Company Self-Assessment Validation: Kyndi Ltd

Final Internal Audit Report

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1 Introduction

1.1 Kyndi is a Local Authority Trading Company (LATCo) created by Medway Council to deliver telecare, assistive technology, CCTV monitoring, and other technology-enabled care and support services. These services support the council's priorities for adult social care, community safety, and enabling residents to live independently.

1.2 Kyndi is responsible for establishing and maintaining its own internal governance arrangements. However, it is considered good practice for local authorities to periodically review the governance of their wholly or partially owned companies to ensure arrangements remain effective and appropriate.

1.3 Medway Council has determined that assurance over the effectiveness LATCo governance arrangements will be obtained through a self-assessment process, which is subsequently validated by the council's Internal Audit Team.

1.4 Kyndi provided its completed self-assessment, including an Annual Assurance Statement approved by the Board on 20 June 2025. A selection of supporting documentation was reviewed to validate the information provided. The results of this validation work are set out below, structured in line with the self-assessment sections.

2 Company Operation

2.1 Draft Articles of Association and the Memorandum of Understanding were approved by the Medway Council Shareholder Board on 31 January 2024. The Board also recommended that Kyndi adopt these documents at its next Board meeting.

2.2 Kyndi's current Articles of Association confirm they were "Adopted by special resolution on 24 May 2024". The current Memorandum of Understanding, which incorporates a Scheme of Delegation covering 38 defined activities ("references"), is in place but is undated.

2.3 Board minutes from 31 January 2025 confirm that formal approval of the Articles and Memorandum of Understanding, initially recorded as an action from the 29 May 2024 meeting, had been completed by that date.

2.4 Kyndi also maintains a separate Scheme of Delegation. The latest (third) version was noted by the Board on 24 October 2025 and sets out approval requirements and, where applicable, financial limits across a range of activities.

2.5 Decision making authority is allocated across the Medway Council Cabinet, the Shareholder Board (Medway Council Cabinet Sub-Committee), the Kyndi Board, the Kyndi Chief Executive Officer (CEO), relevant Committees, and other members of senior management. In addition, a delegated authority matrix specifying financial approval limits for senior management, was approved by the Kyndi Board on 05 August 2025.

3 Roles and Behaviours of Company Directors

3.1 Kyndi confirmed that a robust selection process is in place, including appropriate due diligence checks undertaken by an independent recruitment agency.

3.2 As outlined in paragraph 2.3, Kyndi has an approved Scheme of Delegation that clearly defines decision-making responsibilities and authority.

3.3 Paragraph 15.2.3 of the Memorandum of Understanding requires each party to maintain adequate procedures to prevent conduct that could give rise to an offence under Section 7 of the Bribery Act 2010. Supporting evidence confirms that Kyndi has implemented a Bribery Policy and Whistleblowing Policy applicable to all staff, with further details set out in the employee handbook. Kyndi also maintains a Gifts and Hospitality Register.

3.4 Conflicts of interest are Addressed within the Articles of Association. A register of Board declarations of interest is maintained, and 'Declarations of Interest' is a standing agenda item at Board meetings.

3.5 There is no explicit requirement for Non-Executive Directors (NEDs) to adhere to the Nolan Principles. However, no evidence was identified during the to suggest that current NEDs are not operating in accordance with these principles.

4 Board Composition, Skills and Development

4.1 Paragraphs 21.1 to 21.3 of the Articles of Association state that the number of NEDs should typically be between five and ten. Prior to commencing recruitment, Kyndi is required to obtain Shareholder Board approval for the number of directors to be appointed, the skills and experience sought, the evaluation criteria, and the proposed term of office. In addition, the Shareholder Board must be consulted prior to any appointment to confirm that it has no objection.

4.2 Consistent with this requirement, the Scheme of Delegation (activity 3.2) confirms that the appointment and removal of NEDs is subject to Shareholder Board approval.

4.3 In advance of the Shareholder Board meeting on 11 June 2024, Kyndi submitted reports seeking approval to recruit two additional NEDs, increasing the Board from three to five members in line with the Articles of Association. The reports included a Board skills matrix and supporting information aligned to the Remuneration Policy. The Shareholder Board noted the reports and emphasised the importance of encouraging applications from candidates with relevant lived experience.

4.4 Kyndi confirmed that the Board recruitment process is jointly managed by the Chief Executive Officer (CEO) and Medway Council. Initial candidate screening is undertaken by an external recruitment agency, followed by formal interviews. A Board skills matrix is completed in advance of recruitment to identify required competencies and is intended to be refreshed every four years. Evidence confirms that the most recent skills matrix was completed in July 2024.

4.5 Curriculum vitae were provided for the four current NEDs, demonstrating a breadth of experience across technology and digital, business, research, sales, finance, governance, transformation, and internal audit. NEDs contribute this expertise through Board meetings and strategic awaydays.

4.6 Paragraph 21.1 of the Articles of Association requires a minimum of five directors. At the time of review, Kyndi had one executive director and four non-executive directors in post. This represents compliance with the Articles of Association.

4.7 Kyndi confirmed that all Board members receive a half-day induction. Additional training is being developed with support from Medway Council. NEDs attended the Chartered Governance Institute Annual Conference in 2025 and shared their learning at the Board meeting on 5 August 2025.

4.8 Kyndi advised that annual appraisals of Board members are now undertaken on the anniversary of appointment. However, it could not be confirmed that appraisals had been consistently completed in previous years.

5 Role of the Board Chair

5.1 The Chair approves the agendas for quarterly Board meetings, as well as the monthly Senior Management Team (SMT) and Finance meetings. In addition, regular fortnightly meetings are held between the Chair and the Chief Executive Officer (CEO).

5.2 Review of Board meeting minutes confirms that meetings are supported by structured agendas and cover a range of relevant matters. Non-Executive Directors (NEDs) actively contribute to discussions and provide appropriate challenge, with evidence of questioning to support informed decision-making.

5.3 This demonstrates that the Chair facilitates effective oversight and ensures the Board maintains appropriate control of the company's activities.

6 Roles and Behaviours of the Board

6.1 Quarterly Board meetings are held to direct and oversee the company's activities. Minutes confirm that meetings took place on 31 January 2025, 25 April 2025, 5 August 2025, 24 October 2025 and 27 January 2026. A subsequent meeting was scheduled for 28 April 2026.

6.2 Review of Board papers confirms that each meeting was supported by a formal agenda and appropriate accompanying documentation.

6.3 Board meetings routinely include updates from the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Business Development, and Head of Operations. Additional matters are presented as required, including significant operational and strategic issues such as the control centre relocation, health and safety, and disaster recovery.

6.4 Kyndi advised that the Board operates in an open and transparent manner. This is supported by the content of meeting minutes, which reflect the discussion of a range of operational, financial and strategic matters.

6.5 Arrangements are in place for the development of a Strategic Plan, with input from the Board during an annual awayday. The Plan sets out the company's mission, vision and values and is supported by resource planning to ensure delivery of objectives.

6.6 The 2025–26 budget and 2026–28 financial forecasts were presented to the Board on 25 April 2025. In addition, financial updates are regularly reported to the Board and form a standing item at monthly Senior Management Team (SMT) and Finance meetings, where they are presented by the Chief Financial Officer.

6.7 An external auditor has been appointed, with the most recent report dated 12 September 2025 covering the year ended 31 March 2025. The report included seven recommendations to strengthen financial processes and controls. Kyndi confirmed that these findings were reported to the Board, which is supported by evidence of a meeting held on 18 September 2025.

6.8 The Board submits quarterly performance and financial reports to the Shareholder Board. Shareholder Board meetings have been held regularly since 2024, with future meetings scheduled. These arrangements provide oversight and support Kyndi in meeting its accountability to the shareholder.

6.9 The employee handbook sets out workforce policies and procedures aligned to the company's values. Board minutes confirm that a Human Resources representative attends meetings. In addition, the CEO provides quarterly updates to staff, which include opportunities for feedback and recognition of achievements in line with the company's values of empathy, innovation, integrity and accessibility.

7 Role of Executive and Non-Executive Directors

7.1 Review of Board minutes and supporting papers confirms that Non-Executive Directors (NEDs) actively challenge and contribute to the development of the company's strategy, scrutinise performance, and provide oversight of financial reporting, internal controls, and risk management. This is evidenced through consideration of regular reports and endorsement of the Strategic Plan, as outlined in paragraph 6.3.

7.2 The Scheme of Delegation within the Memorandum of Understanding specifies that the appointment and dismissal of the Chief Executive Officer (CEO) require approval from the Shareholder Board (Reference 5). The appointment and dismissal of other officers are delegated to the CEO or their nominee (Reference 28).

7.3 Kyndi has an approved Remuneration Policy, which was presented to the Shareholder Board on 11 June 2024. A Remuneration Committee is in place, comprising three NEDs, the CEO, and an HR Consultant, and operates in accordance with its terms of reference. Evidence shows that appropriate governance is applied in practice. For example, when the CEO's performance and remuneration were considered on 25 May 2025, the CEO withdrew from the meeting to enable independent discussion.

8 Business Planning

8.1 Section 10 of the Memorandum of Understanding requires the Board to prepare a Business Plan, which must be reviewed at least annually and submitted to the Shareholder Board for approval.

8.2 Kyndi had a 2024-27 Strategic Plan, which was approved by the Shareholder Board on 11 June 2024. Feedback was provided at that time in relation to the proposed group structure and business growth opportunities.

8.3 A subsequent 2025-28 Strategic Plan was developed with input from Non-Executive Directors (NEDs) and the Senior Management Team (SMT) during an annual awayday on 17 June 2025. The Plan is supported by financial information, including annual budgets and monthly forecasts covering cashflow and balance sheet projections. It was approved by the Kyndi Board on 24 October 2025 and presented to the Shareholder Board on 18 November 2025.

8.4 Review of both Strategic Plans confirms that they set out clear objectives and include supporting detail on how these will be delivered, including resourcing, financial forecasts, workforce planning and market analysis.

8.5 Review of Shareholder Board minutes confirms that progress against the Strategic Plan is reported regularly, providing ongoing oversight of delivery.

9 Financial Management

9.1 Kyndi confirmed that it operates with financial independence from the Council, including separate bank accounts and designated signatories. A copy of the bank mandate was reviewed, confirming two accounts with signatories assigned defined approval limits. These signatories appear to be Kyndi employees.

9.2 Kyndi advised that documented financial policies and procedures are in place; however, these were not provided for review and therefore could not be validated.

9.3 Kyndi confirmed that the Chief Financial Officer (CFO) receives all financial proposals and tenders, with contracts reviewed for financial and legal implications. Financial models are prepared to support significant decisions. Review of Board minutes and supporting papers confirms that business cases presented to the Board include consideration of financial implications.

9.4 Kyndi advised that financial management arrangements include annual pricing reviews, detailed budgeting and forecasting, and debt management processes. Outstanding debts and monthly movements are reported through management accounts to the Board. In addition, financial updates are regularly presented to the Board, Shareholder Board, and at monthly Senior Management Team (SMT) and Finance meetings.

9.5 Kyndi advised that purchase order and payment authorisation processes within the accounting system are designed to ensure payments are valid and appropriately authorised, and that these are subject to external audit testing. However, external audit identified a control weakness relating to invoice and payment approval being undertaken by an individual without the appropriate delegated authority.

9.6 The Scheme of Delegation within the Memorandum of Understanding (Reference 24), and the updated Kyndi Scheme of Delegation (Section 2.4), require that the appointment of external auditors is approved by the Shareholder Board. Appointments in 2024 and 2026 were approved by the Assistant Director Legal & Governance under delegated powers and evidence of this has been provided. Kyndi has advised that the appointment of the next external auditor will be presented to a future Shareholder Board meeting.

9.7 Kyndi confirmed that a physical year-end stock take identified minimal variance between recorded and actual stock levels. However, supporting evidence was not provided, and this could not be validated.

9.8 Assets are held at secure locations, including the Control Centre in Gun Wharf and ICM, both of which are supported by appropriate security arrangements.

10 Risk Management

10.1 Kyndi maintains a documented risk register. Review confirms that risks are categorised as strategic and operational and are RAG-rated based on likelihood and consequence. The register records key information for each risk, including controls, mitigation actions, current risk scores, and target risk scores. However, fields for “direction of travel/status” and “ownership” are not consistently completed, limiting the effectiveness of risk monitoring.

10.2 The Chief Executive Officer’s report to the Board on 24 October 2025 states that a risk appetite exercise has been undertaken and that the risk register was being redeveloped to align with this exercise and the updated Strategic Plan. Evidence that the new strategic risk framework is now in place has been provided.

10.3 Kyndi advised that the risk register is reviewed quarterly by both the Board and the Shareholder Board. Review of Shareholder Board minutes confirms that the risk register was considered on 11 June 2024, 26 September 2024, 14 November 2024, 18 February 2025, and 18 November 2025. Minutes from 18 September 2025 note that the risk register is under redevelopment. However, review of company Board minutes and supporting papers indicates that, while risks are discussed, explicit review of the risk register is not consistently evidenced.

11 Ethical Conduct

11.1 Kyndi confirmed that the company’s values and expected behaviours are embedded within the Strategic Plan and staff induction processes. Employees are required to sign the employee handbook to confirm it has been read and understood. An Employee Charter has also been introduced, and company policies are accessible via the ‘Breathe’ platform.

11.2 The 2025–28 Strategic Plan sets out the company’s core values of empathy, innovation, accessibility and integrity. It also outlines how these values are reflected in behaviours, including environmental responsibility, social impact, governance and accountability, and diversity and inclusion.

11.3 Employees are issued with contracts of employment that include key conduct requirements, such as honesty, confidentiality and compliance with policies. The employee handbook provides more comprehensive guidance on expected standards of ethical conduct, including anti-bribery, integrity, accountability, conflicts of interest, whistleblowing, and compliance with legal and organisational requirements. It also sets out the company’s Disciplinary Policy and Procedure.

11.4 Kyndi advised that the Articles of Association, Memorandum of Understanding and delegated authority matrix are designed to ensure decisions are made within the company’s legal powers (intra vires). Oversight is provided through monthly Senior Management Team (SMT) meetings and quarterly Board and Shareholder Board meetings.

12 Performance Management

12.1 Kyndi confirmed that two organisational restructuring exercises have taken place since January 2024, driven by process changes and resource reviews. Information relating to a wider Kyndi Group restructure was presented to the Shareholder Board on 11 June 2024. Kyndi also advised that a recent Board awayday identified skills gaps, which are being addressed. Rota arrangements are in place to ensure adequate operational coverage within the control centre.

12.2 Kyndi advised that resource levels are reviewed at quarterly Board meetings and through regular meetings between the Chair and Chief Executive Officer (CEO). However, review of Board minutes and supporting papers indicates that, while resources are referenced in some discussions, there is limited evidence to demonstrate that resource requirements are consistently presented and formally reviewed at all Board meetings.

12.3 Review of Key Performance Indicators (KPIs) presented to the Board on 24 October 2025 and the Shareholder Board on 18 November 2025 confirms alignment with the objectives set out in the Strategic Plan. Kyndi confirmed that KPIs are embedded within one-to-one and appraisal processes and are also monitored through monthly Senior Management Team (SMT) meetings. SMT agendas include standing items relating to performance.

12.4 Kyndi advised that one-to-one and appraisal discussions include the setting and monitoring of individual targets and objectives. Supporting documentation includes a standard one-to-one template, which incorporates a section for reviewing progress against appraisal objectives, and a development plan to support staff progression. Kyndi acknowledged that completion and recording of these processes has not been consistent historically; however, this is being reinforced and is subject to increased monitoring.

12.5 Action logs are maintained to track actions arising from Board, SMT, and SMT and Finance meetings. These include details of responsible officers, target completion dates, status updates, and monitoring of timeliness.

13 Conclusion & Suggested Actions

13.1 Internal Audit's validation of Kyndi's self-assessment found that governance arrangements are generally in place and broadly aligned with good practice. However, a small number of control and governance improvements are required to ensure full compliance with governing documents and to strengthen the effectiveness of oversight and key processes.

13.2 Based on the findings of this review, the following actions are recommended:

- Update the Memorandum of Understanding to include a formal date of approval or adoption.
- Ensure that the requirement for directors to act in accordance with the Nolan Principles is formally documented.
- Ensure that Board member performance appraisals are completed consistently and that outcomes are recorded as appropriate.
- Implement all recommendations raised by external audit.
- Update the risk register to ensure all fields are fully completed and maintained.
- Ensure that review of the risk register and other key governance documents is clearly evidenced within meeting minutes.