

Medway Council
Meeting of Audit Committee
Thursday, 25 September 2014
7.00pm to 9.05pm

Record of the meeting

Subject to approval as an accurate record at the next meeting of this committee

Present: Councillors: Jarrett, Mackinlay (Chairman), Mackness, Maple and Osborne

In Attendance: Kerry Barnes, BDO (Council's External Auditor)
Robin Cooper, Director of Regeneration, Community and Culture
Robert Grant, BDO (Council's External Auditor)
Mick Hayward, Chief Finance Officer
Richard Hicks, Deputy Director, Customer Contact, Leisure, Culture, Democracy and Governance
Perry Holmes, Assistant Director, Legal and Corporate Services/Monitoring Officer
Andy Larkin, Finance Support Manager
Jonathan Lloyd, Principal Accountant
Carl Madjitey, Head of Festivals Arts Theatres and Events
Graham Matthews, Principal Auditor
Andy McNally-Johnson, Senior Accountant
Alison Russell, Head of Internal Audit and Counter Fraud
Nicola Smith, Democratic Services Officer
Janice Wellard, Fraud Manager

371 Record of meeting

The record of the meeting held on 17 July 2014 were agreed and signed by the Chairman as a correct record.

372 Apologies for absence

There were none.

373 Urgent matters by reason of special circumstances

There were none.

374 Declarations of disclosable pecuniary interests and other interests

Disclosable pecuniary interests

There were none.

Other interests

Councillor Maple advised the Committee that he had hired facilities referenced in agenda item 10, but he had no pecuniary interests to declare.

375 Chairman's announcements

The Chairman advised the Committee that the order of the agenda would be changed to enable items 6 and 10 to be considered earlier on the agenda to enable relevant officers and the External Auditors to leave the meeting.

The Chairman also acknowledged that this would be the last committee meeting at which the Finance Support Manager would be present and thanked him for his work, particularly in relation to the production of the Annual Governance Statement and Statement of Accounts which were considered at the meeting.

376 Annual Governance Report 2013/2014

Discussion:

The Chief Finance Officer advised the Committee that the draft Statement of Accounts for 2013/2014, that had been approved by the Audit Committee on 17 July 2014, had been revised and circulated as Supplementary Agenda No 1 with the changes highlighted in yellow. A number of revisions had subsequently been made by the External Auditor which were highlighted in green in Supplementary Agenda No 2 that was tabled at the meeting. The Committee were assured however that these revisions had not affected the bottom line figures as set out in the draft statement of accounts.

Robert Grant and Kerry Barnes from BDO, the Council's External Auditor, provided an overview of the External Auditor's report. This included the key findings from the audit of the accounts set out in detail at Appendix 1 to the report.

The External Auditor confirmed that many of the changes were relatively minor and that none of the changes had required adjustment of the bottom line figures as set out in the draft statement of accounts.

The External Auditor advised that Medway Council could rely on the work of Council's internal audit team. The External Auditor confirmed that the Annual Governance Statement was presented in accordance with the CIPFA/SOLACE standards. The External Auditor advised that their examination of value for

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money had shown that the Council had adequately addressed reductions in spending and taken into account budget and service pressures. They had concluded that governance was strong with appropriate financial controls in place.

The External Auditor and officers responded to Members' questions on the accounts, as amended. This included: noting new initiatives such as Medway Norse; amending the wording that related to the Health and Wellbeing Board, (as the Board as it was not responsible for the Children's Services Plan,); and discussions regarding the use of non-clearing banks and instant access accounts.

Members noted that the draft statement of accounts agreed by Audit Committee on 17 July, had been presented to the External Auditor after the end of June deadline, and were advised that this would be noted by the Audit Commission. It was emphasised that it was important that the accounts were published by 30 September to ensure compliance with regulations. The Committee stressed the need for a quick turn-around of the final changes needed by the External Auditor to ensure the accounts were published on time.

Members recognised that on-going financial pressures will impact upon the ability of the Council to deliver continued service improvements, and that, despite a lower starting base than last year, the Council was in a relatively good place, as supported by the report of the external auditors.

Members thanked the External Auditor and Medway Council staff involved in the production of the accounts and stressed that the transfer of corporate knowledge, in relation to the compilation of the accounts, addressed future staff changes.

The Committee noted that the auditor was satisfied with the Annual Governance Statement and would be issuing an 'unqualified' opinion on the accounts and value for money conclusion.

Decision:

The Audit Committee:

- (a) noted the issues raised and judgements made by the External Auditor as presented in Appendix 1, and agreed the proposed response as set out at Appendix IV to the External Auditor's Annual Governance Report.
- (b) agreed the revised Statement of Accounts as set out in Supplementary Agendas No 1 and No 2.
- (c) agreed the Management Representations Letter, attached at Appendix VI of the Annual Governance Report.

377 Exclusion of Press and Public

Decision:

The press and public were excluded from the meeting during consideration of the first allegation/initial issue as set out in the exempt material contained within the appendix to agenda item 10 (Investigations Relating to Financial Irregularities) because consideration of this matter in public would disclose information falling within paragraphs 2, 3 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 as specified in agenda item 12 (Exclusion of Press and Public) and, in all the circumstances of the case, the Committee considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

378 Investigations Relating to Internal Financial Irregularities

Discussion:

The Head of Internal Audit and Counter Fraud introduced a report that set out the outcome of recent internal investigations.

Members considered the information regarding the first allegation/initial issue as set out in the exempt material contained within the appendix to the report and officers responded to Members' questions as they related to the individual case.

Following consideration of the first allegation/initial issue the Audit Committee returned to open session.

Decision:

The Audit Committee noted the outcome of the irregularity investigations and the actions taken.

379 Review of Risk Management

Discussions:

The Chief Finance Officer introduced the report and updated the Committee on the progress of the Council's risk management activities. Members were advised that the Risk Management Strategy had been reviewed, as set out at Appendix A of the report, but that no significant changes had been required.

The Chief Finance Officer further advised that the Risk Management Audit 2013/2014 had produced a satisfactory opinion albeit there remained three outstanding medium priority recommendations as described in the report.

Decision:

The Audit Committee noted progress on the Council's risk management activities.

380 Corporate Fraud

Discussion:

The Head of Internal Audit and Counter Fraud and the Fraud Manager introduced the report which informed Members of matters relating to corporate fraud, and included the outcomes of investigations and fraud referrals received by Audit Services.

Officers advised the Committee that an amended Table 5 at Annex A of the report had been circulated to the Committee within Supplementary agenda No 2. The officers also reported on Annex B which gave an update on internal fraud and irregularity investigations and included a record of control weaknesses identified and management actions put in place to strengthen existing arrangements.

It was noted that Annex C to the report provided a six-month update on the Fraud Resilience Strategy 2014/2016, which had originally been presented to the Committee in March 2014.

Decision:

The Audit Committee:

- (a) noted the progress in investigating fraud in accordance with the Anti Fraud and Corruption Policy; and
- (b) acknowledged and supported zero tolerance of fraud by employees of Medway Council.

381 Internal Audit Programme

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report and advised Members of progress in delivering the approved 2014/15 work programme and outcomes completed since the last meeting of the Audit Committee. Work programme updates were identified in bold font in Annex A whilst Annex B set out the outputs from the completed audits to date. Definitions were set out a Annex C.

Officers gave an update, focusing first on staffing resources, and reported that vacant posts could impact upon the ability to deliver the work programme and that an update would be provided to the Audit Committee in January 2015. The

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Head of Internal Audit and Counter Fraud would commence a part-time working arrangement in October that would be reviewed at the end of a three month trial period.

Officers advised the Committee of the outcome of the Internal Audits completed since the last meeting of the Audit Committee in July 2014.

Members sought assurance from officers that further improvements to financial procedures and processes at the Corn Exchange would be introduced at the earliest opportunity. The Committee noted the planned appointment of a new Systems Officer and queried whether systems could be consistently applied across other Medway sites and also how any improvements introduced at one site could be put in place at others. Members requested a briefing note detailing the timeframe for the implementation of a single, comprehensive set of systems at the Corn Exchange to address the control issues identified.

Decision:

The Audit Committee noted

- (a) that an update report on progress of the work programme would be provided to the Audit Committee in January 2015;
- (b) the progress on the 2014/15 audit programme, and the outcome of Internal Audit's work.

382 Whistleblowing, Anti-Bribery Policy and Anti-Money Laundering Policy: Report on Instances September 2013 - September 2014

Discussion:

The Monitoring Officer introduced the report that set out the nature of concerns raised between September 2013 and September 2014 under the Council's Whistleblowing, Anti-Bribery and Anti-Money Laundering Policies. He advised the Committee that there had been 4 concerns raised in 2013/2014 under the Whistleblowing Policy but there were no instances to report in relation to Anti-Bribery and Anti-Money Laundering concerns.

The Committee discussed the availability of benchmarking information in order to compare Medway Council performance in these areas to other unitary authorities and were assured by the Monitoring Officer that this information would be included in future reports, if available.

Decision:

The Audit Committee noted the contents of the report.

383 Exclusion of Press and Public

Decision:

The press and public were excluded from the meeting during consideration of the remaining two allegations/initial issues as set out in the exempt material contained within the appendix to agenda item 10 (Investigations Relating to Financial Irregularities) because consideration of this matter in public would disclose information falling within paragraphs 2, 3 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 as specified in agenda item 12 (Exclusion of Press and Public) and, in all the circumstances of the case, the Committee considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

384 Investigations Relating to Internal Fraud Irregularities

Discussion:

Members considered the remaining information as set out in the report at agenda item 10, that had not been covered earlier in the meeting.

Decision:

The Audit Committee noted the outcome of the irregularity investigations and the action taken in relation to the allegations/initial issues as set out in the exempt material contained within the appendix to the report.

Chairman

Date:

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