

**Medway Council**  
**Meeting of Audit Committee**  
**Tuesday, 20 March 2018**  
**7.00pm to 8.06pm**

**Record of the meeting**

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

**Present:** Councillors: Kemp (Chairman), Gulvin, Maple, Osborne and Tejan

**In Attendance:** Phil Watts, Chief Finance Officer  
Katey Arrowsmith, Head of Finance Strategy  
David Eagles, Engagement Lead, BDO  
Jonathan Lloyd, Principal Accountant  
Michael Turner, Democratic Services Officer

**863 Apologies for absence**

There were none.

**864 Record of meeting**

The record of the meeting held on 9 January 2018 was agreed and signed by the Chairman as correct.

**865 Urgent matters by reason of special circumstances**

There were none.

**866 Disclosable Pecuniary Interests and Other Significant Interests**

Disclosable pecuniary interests

There were none.

Other Significant Interests

There were none.

Other Interests

## Audit Committee, 20 March 2018

Councillor Gulvin disclosed an interest in agenda item 6 (Audit and Counter Fraud Update 1 December 2017 to 31 January 2018) arising from his position as a Governor of Oaklands School.

### 867 Annual External Audit Plan

#### Discussion:

Members considered a report which presented the Council's External Auditor's (BDO) plan for the audit of the accounts for the financial year 2017/18.

The Engagement Lead, BDO advised Members that the key audit risks of Management Override and Revenue recognition (fees and charges) were included in the Plan as this was a requirement under International Standards on Auditing (UK) 240 and BDO did not consider there was any heightened risk in Medway. He added that the risks relating to valuation of property, plant and equipment and investment properties and also pension liability assumptions were included as small errors in assumptions made could have a significant effect on the accounts. With regard to the valuation of property risk, BDO clarified that heritage assets were included but would not be a particular focus of the review. In addition, the sustainable finance risk was a common one across local government.

The following issues were raised by Members:

**Revenue recognition (fees and charges)** – in response to a query whether this review would look at the various methodologies available for paying charges such as parking, BDO confirmed that the review would examine the different streams involved to see which were most susceptible to manipulation.

**Sustainable finance risk** – a Member asked if this would involve a stress test of the various alternative models of service delivery in place. BDO confirmed that the review would examine the assumptions made to generate income and what issues were likely to cause difficulties.

**General Data Protection Regulation 2018** – in response to a query whether the Council's readiness for the new data protection rules was to be part of the review, BDO confirmed that this did not form part of the Audit Plan as BDO was confident the Council was aware of, and preparing for, the new rules.

**100% Non Domestic Rates Retention** – BDO advised that this risk was not a specific part of the Plan but would feature when the assumptions underpinning the Medium Term Financial Strategy were examined.

#### Decision:

The Committee agreed to note and accept the proposed annual Audit Plan for 2017/18.

**868 Audit and Counter Fraud Update 1 December 2017 to 31 January 2018**

**Discussion:**

Members considered a report which provided an update on the work, outputs and performance of the Audit and Counter Fraud Team for the period 1 December 2017 to 31 January 2018.

The Chief Finance Officer advised that 89% of the Plan had been delivered and he was confident that the target of 95% would be met by the end of the financial year. With reference to a query about the off payroll engagements assurance work, officers advised that the number of people involved was relatively small.

A Member queried whether the preparations for the implementation of the General Data Protection Regulation in May 2018 included Council offices outside Gun Wharf as, typically, issues with compliance were more common outside the main headquarters of a council. The Chief Finance Officer confirmed that all staff, regardless of where they worked, were required to undertake training on the new regulations.

**Decision:**

The Committee agreed to:

- a) note the outputs and performance of the Audit and Counter Fraud Plan for Medway for the period 1 December 2017 to 31 January 2018 as detailed at Appendix 1 to the report, and;
- b) approve the amendments to the 2017-18 workplan as detailed in section 6 of Appendix 1 to the report.

**869 Audit and Counter Fraud Plan 2018-19**

**Discussion:**

Members considered a report regarding the Audit and Counter Fraud Plan for Medway for 2018-19.

Members discussed a range of issues, including the following:

**Purchase cards** – the Chief Finance Officer confirmed that purchase cards were being rolled out in a limited way amongst social care employees.

**Car parking (pay by phone)** – a Member asked if the audit review would look at whether motorists who used the app to pay for car parking were being charged at times when parking charges did not apply. The Chief Finance Officer replied that the way in which the app worked was a matter for the service to respond to but the audit would test how the system operated.

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**HR - recruitment (including Vetting)** – in response to a question the Chief Finance Officer replied that the review was expected to include Ocelot, the Council's staffing agency.

**Governance of external bodies** – a Member queried whether some of the time allocated for the review of Corporate Governance should be allocated to reviewing the governance of alternative models of service delivery such as Medway Norse and Medway Commercial Group.

**Council Tax recovery** – A Member referred to the review of arrangements to recover unpaid council tax liabilities and asked for clarification on a decision in recent years to account for significant legacy unpaid council tax. The Chief Finance Officer advised he was not aware of the specific case referred to but provision for bad debt was made each year so any write off of very old council tax debt would have happened through that mechanism. In response to a question about the Council Tax collection rate, the Council collected about 95.5 % in year with 98.5% of Council Tax collected over time. It was acknowledged performance in collecting debt across the Council could be improved. A Member made the point that the in year rate was lower than in recent years and amounted to a significant loss of income of around £1.5m.

**Car parking machines** – A Member commented that anecdotal evidence suggested that car parking machines were still accepting old pound coins which were no longer legal tender. Other Members made the point that if this was an issue the extent of it would reduce over time and the cost effectiveness of converting machines was also questioned. The Chief Finance Officer undertook to raise this issue with the service.

**Resident parking permits** – Members referred to recent evidence reported online of people trading in residents parking permits and queried why this had not been reported to the Audit Committee. Reference was also made to a recent statement from the Council's Director of Regeneration, Culture, Environment and Transformation and Deputy Chief Executive that the Council had removed the annual visitor permits as they were open to abuse. A Member considered that this was mainly an issue around the hospital and it may have been more appropriate to deal with that locally rather than introduce a Medway wide solution. A Member queried what evidence there was for this decision and commented that if it was based on anecdotal evidence then that would be a concern. The Chief Finance Officer stated that any formal investigations would have been carried out by the Audit and Counter Fraud Team and that he would take this issue up with the Director.

**Transparency** - A Member referred to CIPFA guidance on transparent decision making and made the point that a recent call in of a Cabinet decision had revealed an expectation from the public that the Council should go beyond what was required by the law in terms of transparency.

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### **Decision:**

The Committee agreed to approve the Audit and Counter Fraud Plan for Medway for 2018-19 presented at Appendix 1 to the report.

### **870 Audit and Counter Fraud Charter**

#### **Discussion:**

Members considered a report regarding the Audit and Counter Fraud Charter.

The report advised that a self-assessment had been carried out to determine the level of compliance of the team's activities with the Public Sector Internal Audit Standards. The outcome of this, which showed Medway as being in the upper quartile of authorities in terms of performance, would be reported to the Committee. Reference was made to a previous decision to hold an informal joint meeting of both Medway and Gravesham Councils' Audit Committees to discuss the outcome of this assessment and other issues.

In response to a question, officers advised that audit were not aware of any significant issues at Gravesham Borough Council which could impact on the audit plan for Medway. An assurance had been given to Gravesham that the same applied in respect of Medway.

#### **Decision:**

The Committee agreed to approve the Audit and Counter Charter presented at Appendix 1 to the report.

**Chairman**

**Date:**

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