

Medway Council
Meeting of Audit Committee
Thursday, 24 September 2020
7.15pm to 9.40pm

Record of the meeting

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

- Present:** Councillors: Browne, Gulvin, Hackwell, Osborne and Tranter
(Chairman)
- In Attendance:** Wayne Hemingway, Principal Democratic Services Officer
Perry Holmes, Chief Legal Officer/Monitoring Officer
James Larkin, Head of Audit and Counter Fraud
Jonathan Lloyd, Finance Business Partner - Corporate Services
Phil Watts, Chief Finance Officer

270 Apologies for absence

There were none.

The Chairman took the opportunity, on behalf of the Committee, to thank Michael Turner (Democratic Services Officer) for his support to the Committee over the past 5 years.

271 Record of meeting

The record of the meeting held on 30 July 2020 was agreed and signed by the Chairman as accurate.

272 Urgent matters by reason of special circumstances

There were none.

273 Disclosable Pecuniary Interests and Other Significant Interests

Disclosable pecuniary interests

There were none.

Other significant interests (OSIs)

Councillor Gulvin declared an interest in any reference to Medway Development Company (MDC) Ltd because he is a Director of the company

Audit Committee, 24 September 2020

and he relied on a dispensation granted by the Councillor Conduct Committee to enable him to take part in the discussion and vote on this item.

Other interests

Councillor Gulvin declared an interest in agenda item 5 (Audit and Counter Fraud Update to End of August 2020) because there were some references to matters under his portfolio.

274 Audit & Counter Fraud Update to End of August 2020

Discussion:

This report provided details of an update on the work, outputs and performance of the Audit and Counter Fraud Team for the period 1 April to 31 August 2020. The Head of Audit and Counter Fraud Shared Service advised the Committee of the key issues in the report. He advised the Committee of some errors in page 18 of the Agenda papers, namely the Leisure Centre, SEND Education and Temporary Accommodation reviews which should have been shown as having amber opinions.

Members then raised a number of questions and comments which included:

Asset Management and Building Repair and Maintenance Fund and HRA Capital Repairs and Maintenance Work Allocation – in response to a question seeking clarity as to what was being audited in these two areas, the Head of Audit and Counter Fraud Shared Service explained that the items listed at item 7 (Asset Management and Building Repair and Maintenance Fund) had initially started as two separate reviews but were subsequently pulled together owing to an overlap between the reviews and that these related to the Council's office accommodation whereas item 16 (HRA Capital Works and Maintenance Work Allocation) looked at the Council's housing stock, including any commercial properties under the HRA. Reference was also made to some issues in Twydall relating to Council properties.

Covid 19 – in response to a question relating to whether the Audit and Counter Fraud Team would be redeployed again to deal with the response to any future Covid 19 related issues, the Head of Audit and Counter Fraud stated that at the beginning of the pandemic, the Team was identified as non-critical and was therefore redeployed elsewhere in the Council to assist with the response to the pandemic. He further advised that a lot of catch up work had since been undertaken during the recovery process, via a revised work plan. He advised that there was no current indication that the Team would be shut down again. He also advised that one of the key work areas arising from the pandemic would relate to fraud.

Committee Members expressed concern as to the resourcing of the Team given the amount of catch up work required. It was also suggested that the Team should not be shut down as it was necessary to undertake its normal work (and to catch up on work) given the risk any such a decision would create.

Audit Committee, 24 September 2020

The Chief Legal Officer advised the Committee that the Council was a category one responder during the emergency, this meant that the Council would have to assist across the region to respond to the pandemic. The Council had moved from a recovery phase back to a response phase which meant the Council would have to ensure essential services were delivered and whilst the Committee's comments could be reflected in the Head of Audit and Counter Fraud's risk plan, there was no guarantee that the Team would not be redeployed.

Outstanding implementation of recommendations – in response to a question relating to the need to chase outstanding implementation of audit recommendations as set out on page 43 of the Agenda, the Chief Legal Officer, with reference to MCG, stated that a new Chief Executive had recently been appointed and he would take up this matter with the new Chief Executive on behalf of the Committee.

Committee Members discussed the issue of the outstanding implementation of Audit recommendations at length and how the Committee could assist to improve matters, for example, a role for the Chairman to be made aware of non-implementation at the earliest opportunity and to be involved in resolving matters and, only if necessary, relevant Managers attending the Committee to explain the reasons for non-implementation. It was suggested that it was necessary to ensure that only high risk non-implementation matters be dealt with by the Committee. The Chief Finance Officer advised on the current process within the Council for dealing with non-implementation.

The Chairman undertook to further discuss this matter with the Head of Audit and Counter Fraud outside the meeting.

Whistleblowing – in response to a question relating to the non-implementation of the three recommendations as set out in page 39 of the agenda, the Chief Legal Officer stated that there was an item later on the Agenda where he could advise further.

Award of Government Payments during the Pandemic – in response to a question about how the Council would be required to report to Government the process of how it had made payments of Government grants during the pandemic and the sums involved, the Head of Audit and Counter Fraud advised that his Team and the Revenue Team had been involved in the set up for the processing of applications and referred to some of the prevention steps taken to ensure, for example, there were no duplicate payments where a paper and an online application had been made in error. He also advised that over £36M had been paid in business support grants and over £1.8M in discretionary award grants.

Training and Development – In response to a question concerning the achievement of only 20% of the target (PM5 – page 34 of the Agenda), the Head of Audit and Counter Fraud advised that this only related to the period from April to August so did not reflect the full year figure.

Decision:

The Committee noted the outputs and performance of the Audit and Counter Fraud Service for Medway for the period 1 April to 31 August 2020 as detailed at Appendix 1 to the report.

275 Treasury Management Mid-Year Review Report 2020/21

Discussion:

This report provided details of an overview of treasury management activity since 1 April 2020 and presented a review of the Treasury Management Strategy approved by Council on 20 February 2020. An addendum report was tabled at the meeting following a request from the Cabinet, which had considered the same report on 22 September 2020 that an expansion in the detail of the Capital Financing Requirement shown in the summary of the report, be provided to the Audit Committee. The addendum report provided this additional information accordingly.

The Finance Business Partner – Corporate Services advised the Committee of the key issues in the report, including an explanation as to the additional information in the addendum report, with particular reference to the capital financing requirement (CFR) which was shown as being £1,899,000 higher than shown in the main report; the table in the addendum report assumed that the recommendations of the Cabinet to Council on 8 October 2020 to fund £1,899,000 of the forecast overspend from borrowing would be approved, increasing the CFR accordingly.

Members then raised a number of questions and comments which included:

Housing Infrastructure Funding (HIF) – in response to a question on whether the HIF funds (£170M) would be included in the Council's investment portfolio, the Chief Finance Officer confirmed that this funding would not be included in the investment portfolio. He explained that the Council would draw down funding following expenditure by the Council, which, overall would create an overall capitalised interest cost of approximately £400,000. Following discussion on this point, during which some concern was expressed, the Chief Finance Officer confirmed that the HIF Project Team were working to the overall funding taking account of this cost.

In response to a question on the Committee's request at the last meeting for a report on the process for how the HIF monies would be spent, the Chief Finance Officer undertook to check this.

Short term borrowing – in response to a question on the continued reliance of short term borrowing, the Finance Business Partner – Corporate Services advised that he hoped that the Government would normalise the Public Loans Work Board (PWLB) borrowing rates by the beginning of the next financial year. This would help to reduce the reliance on short term borrowing.

Counterparty limits – in response to a question on whether there was any benchmarking information on the suspension of counterparty limits and whether Members should be concerned as to the suspension of these limits, the Chief Finance Officer advised that such an exercise had not been undertaken. However, some other Local Authorities may have been in a similar position regarding cash flow given the injection of cash from the Government in the form of Covid-19 grants leading to a cash surplus. He further advised that subsequent funding from the Government to support Local Authorities during the pandemic now required the Council to claim funds back which could lead to a cash deficit.

Investment portfolio – in response to a question about dividend payments on property investments, which had been detailed in previous Committee reports but not detailed in this report, the Finance Business Partner – Corporate Services advised that the Council was still receiving such returns, however, they were much reduced compared to usual payments. He also advised that property values were currently uncertain and that some of the Council's property investments had been gated recently, the effect of which was to prevent the investors selling such investments in an attempt to maintain property values, although gating was ending on 30 September 2020 in respect of the fund that the Council had invested most.

Capital Financing Requirement – in response to a question as to what the £1.899M figure referenced in the addendum report represented, the Chief Finance Officer advised that this was likely to refer to an overspend on the Strood Riverside Scheme but that he would confirm this to the Committee after the meeting via email.

Interest rates – Interest rates – in response to a question about the effect of interest rates on the Council, particularly in a scenario where there might be negative interest rates, the Finance Business Partner – Corporate Services advised that, given the Council was a net borrower, it was beneficial for the Council that interest rates remained low.

Decision:

The Committee noted the contents of the report.

276 Annual Governance Statement

Discussion:

This report provided details of the Annual Governance Statement, consideration of which had been deferred at the July meeting of the Committee to allow for officers to refine the statement to focus on outcomes and value for money.

The Chief Legal Officer advised the Committee of the updates to the Annual Governance Statement and Committee Members stated that they were now content with the Statement.

Decision:

The Committee approved the Annual Governance Statement.

277 Whistleblowing, Anti-Bribery and Anti-Money Laundering Policies: Report on Instances September 2019 - September 2020

Discussion:

This report provided details of the nature of concerns raised between September 2019-September 2020, under the Council's Whistleblowing, Anti-Bribery and Anti-Money Laundering Policies. The report also provided details of proposals for an updated Whistleblowing Policy.

The Chief Legal Officer advised the Committee that there had been two instances of whistleblowing in the last year and no instances reported under the Anti-Bribery and Anti-Money Laundering Policies. He also reported information in respect of Medway Commercial Group Ltd (MCG), Medway Development Company Ltd (MDC) and Medway Norse, none of whom had any reported instances.

He advised the Committee that he had been in touch with Protect, the Country's leading national experts on whistleblowing to ascertain whether was any benchmarking, however, no comparative information was available.

He also advised the Committee on the work that had been undertaken in the development of a new Whistleblowing Policy, including research on the matter so that the Policy would reflect best practice.

Members discussed a number of matters including:

Number of instances reported – it was suggested that the balance was right because whilst there was a low number of instances, staff clearly had the confidence to report instances under the Whistleblowing Policy.

Name and nature of the new Policy – Committee Members made a number of points regarding the new Policy such as the need to ensure that the new Policy encouraged openness and transparency, a new name for the Policy (Ethics Policy), the need for a step-by-step guide for employees to ensure the process was clear and to ensure that there were appropriate contact points to raise whistleblowing concerns. In addition to ensuring that whistleblowing was being dealt with in an appropriate manner, there were also a number of other matters of concerns that staff may wish to report and it was important for the Council to recognise and deal with this additional layer of concerns.

The Chief Legal Officer confirmed that there would be a clear Policy and Procedure in the new document. He also informed the Committee that the new Policy may include a triage approach rather than the current advice which was for staff to raise instances with their line manager.

Audit Committee, 24 September 2020

MCG, MDC and Medway Norse – In response to a question as to whether the new Policy could be applied to these organisations and whether employees working for those organisations could report under the Council's Policy, the Chief Legal Officer advised that he would look into this.

Current Whistleblowing Policy – in response to a question about different versions of the Policy being available on the Council's website, the Chief Legal Officer undertook to look into this matter.

Decision:

The Committee noted the contents of the report.

Chairman

Date:

Wayne Hemingway, Principal Democratic Services Officer

Telephone: 01634 332509

Email: democratic.services@medway.gov.uk