

Medway Council
Meeting of Audit Committee
Thursday, 24 June 2021
7.00pm to 8.03pm

Record of the meeting

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

Present: Councillors: Hackwell (Chairman), Browne, Osborne and Tejan

Substitutes: Councillors:
Thorne (Substitute for Gulvin)

In Attendance: Jan Guyler, Interim Assistant Director, Legal and Governance
Wayne Hemingway, Head of Democratic Services
James Larkin, Head of Audit and Counter Fraud
Phil Watts, Chief Finance Officer

106 Election of Chairman

Decision:

Councillor Hackwell was elected Chairman for the 2021/22 Municipal Year.

107 Apologies for absence

Apologies for absence were received from Councillor Gulvin.

108 Record of meeting

The record of the meeting held on 18 March 2021 was agreed and signed by the Chairman as a correct record.

109 Urgent matters by reason of special circumstances

There were none.

110 Disclosable Pecuniary Interests and Other Significant Interests

Disclosable pecuniary interests

There were none.

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Other significant interests (OSIs)

There were none.

Other interests

Councillor Tejan declared an interest in agenda item 6 (Audit and Counter Fraud Annual Report 2020-21) in so far as he had a virtual office at the Innovation Centre.

111 Audit and Counter Fraud Annual Report 2020-21

Discussion:

This report provided details of the audit and counter fraud work completed during 2020-21 and presented the opinion of the Head of Audit and Counter Fraud Shared Service, as Chief Audit Executive, on the Council's internal control environment. The Head of Audit and Counter Fraud Shared Service highlighted a number of matters within the report including the impact of the pandemic and sickness absence on the service and confirmation, as Chief Audit Executive, that in his opinion, Medway Council's framework of governance, risk management and system of internal control was adequate and effective, and contributed to the proper, economic, efficient and effective use of resources in achieving the Council's objectives in respect of the Council's internal control environment.

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

Pandemic – in response to a question on the potential impact on the service of the ongoing pandemic, the Head of Audit and Counter Fraud Shared Service stated that there were no current plans to redeploy any of his team to support the Council's response to the ongoing pandemic but he could not confirm that this would remain the case going forward.

Purchase cards – in response to a question on purchase cards (page 32 of the Agenda refers) and the ability to suspend staff, the Head of Audit and Counter Fraud Shared Service stated that he was not sure whether any staff had been suspended and that he would check and confirm this outside the meeting.

Caldicott Guardian – in response to a question on the Caldicott Guardian (page 53 of the Agenda refers), the Head of Audit and Counter Fraud Shared Service stated that a new member of staff was now responsible for performing this role.

Commercial Property Review – in response to a question on when the review would be finalised (page 59 of the Agenda refers), the Head of Audit and Counter Fraud Shared Service confirmed that the final report had now been issued and would be sent to Members soon.

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Medway Adult and Community Learning Service – In response to a question on who was responsible for the administration of the loans (page 21 of the Agenda refers), the Head of Corporate Performance and Business Intelligence confirmed that this lied with Department for Education.

Foster Care payments – In response to a question on the review of the payment structure being conducted and implemented by March 2021 (page 29 of the Agenda refers), the Head of Audit and Counter Fraud Shared Service stated that he would check this outside the meeting.

Disabled Facilities Grants – In response to a question on why there was no policy in place (page 55 of the Agenda refers), the Head of Audit and Counter Fraud Shared Service stated that he would check and confirm this outside the meeting.

Whistleblowing – In response to a question on the implementation of recommendations (page 75 of the Agenda refers), the Head of Audit and Counter Fraud Shared Service stated that he would check this outside the meeting although progress was sought on a regular basis.

HRA capital repairs and maintenance work allocation – in response to a question regarding the contractor (page 52 of the Agenda refers) which had entered administration and whether due diligence could be improved, the Head of Audit and Counter Fraud Shared Service stated that the contractor had entered administration after the review had been completed and that he would have to check with the Head of Housing regarding the current status of work being carried out.

Adult Social Care – assessments and reviews of care packages – in response to a question on whether the testing sample was adequate (page 44 of the Agenda), the Head of Audit and Counter Fraud Shared Service stated that he had to balance what could be undertaken against the available resources.

Decision:

- a) The Committee noted the work undertaken by the Audit and Counter Fraud Shared Service for Medway during 2020-21 in providing an effective service to the Council.
- b) The Committee considered and supported the opinion on the Council's internal control environment provided by the Head of Audit and Counter Fraud Shared Service, as set out in Section 2 of Appendix 1 to the report, that Medway Council's framework of governance, risk management and system of internal control is adequate and effective, and contributes to the proper, economic, efficient and effective use of resources in achieving the Council's objectives.

112 Audit Committee - Review of Terms of Reference

Discussion:

This report provided details of the annual review of the terms of reference of the Audit Committee. The Head of Audit and Counter Fraud Shared Service highlighted that the review had confirmed that the terms of reference reflected best practice.

Members discussed the issues of receiving regular reports on treasury management and the issue of an independent member.

Decision:

The Committee agreed to continue to operate under the existing Terms of Reference subject to any decision to add an Independent Member to the Committee's membership, following a review of the Terms of Reference, which proposed no amendments as they remained relevant and reflected best practice.

113 National Fraud Initiative Exercise - Update

Discussion:

This report provided details of an update on the National Fraud Initiative (NFI) exercise. The Head of Audit and Counter Fraud Shared Service highlighted some matters in the report including the 2019-20 exercise and the impact of the pandemic on this work and the 2020-21 exercise.

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

Capacity – in response to a question on the 2020-21 exercise, the Head of Audit and Counter Fraud Shared Service stated that it was unlikely that his team would be able to look at all 15,000 matches and that other services may review relevant areas, e.g. Housing, and in addition, he highlighted that sometimes there could be issues with the quality of the data being provided.

Improvements to information – in response to a question on how information could be improved, the Head of Audit and Counter Fraud Shared Service stated that this was a Cabinet Office initiative and that they strived to continuously improve the information being provided, however, it was not a perfect science. He also advised that he had been able to recruit an intelligence analyst which would help to provide more capacity to analyse this information.

Reports on progress – during discussion, it was confirmed that the Committee would like to consider update reports on NFI on an annual basis.

Decision:

The Committee noted the report.

114 Managing Risk Within Our Local Authority Trading Companies (LATCOs)

Discussion:

This report provided details of how risk was managed between the Council and its Local Authority Trading Companies (LATCOs); Medway Development Company (MDC) and Kyndi (formerly Medway Commercial Group), as requested by the previous Chairman at the last meeting of the Committee.

The Head of Corporate Performance and Business Intelligence highlighted a number of matters within the report and stated that to provide Member assurance when Medway LATCOs were held to account in the future and in line with the Council's Risk Strategy, all risks above the Council's tolerance level of CII (Likelihood Significant and Impact Major) would be presented with treatment actions as part of their reports to Cabinet.

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

Scrutiny of risk – in response to a question on the Committee's role and whether, for example, representatives of the two companies could have been present at the meeting to answer questions, the Head of Corporate Performance and Business Intelligence confirmed that the Committee's responsibility was limited to seek an assurance on the risk framework employed by the two companies and it was the responsibility of the Cabinet to ensure that risks were being managed effectively.

Thresholds – in response to a question on thresholds and materiality, the Head of Corporate Performance and Business Intelligence stated that anything rated at CII (significant/critical) in the Council's risk framework would be reported to Cabinet. She also advised that a PESTLE analysis was undertaken when risk levels were being determined.

Board Member representation – in response to a question on officer involvement on the Boards, the Chief Finance Officer confirmed that the Monitoring Officer had not been a Board Member of MDC, however, he had acted as the Council's Client Liaison Officer between the Council and the Board. This was on the basis of the previous Monitoring Officer's responsibility for property and capital projects. This role had now been passed to the Assistant Director, Regeneration, and he would now carry out this role. Some concern was expressed regarding capacity issues in relation to these arrangements.

Subsidiaries – in response to a question on whether the Council would have sight of risks of subsidiary companies, the Head of Corporate Performance and Business Intelligence confirmed that where any subsidiaries identified risks, these would be reported to Cabinet.

Decision:

The Committee noted the content of the report.

115 Appointment of Independent Member

Discussion:

This report provided details of proposals in relation to the appointment of an Independent Member, as requested by the previous Chairman at the last meeting. The Head of Democratic Services highlighted the law and guidance on the issue and referred to the guidance from CIPFA, the Redmond Review and the National Audit Office.

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

Support – support for the appointment was indicated by some Members and it was noted that other committees included co-opted members on the basis of their specialisms, e.g. the Children and Young People Overview and Scrutiny Committee. In addition, there had been support for the proposals at previous discussions on the matter by this Committee. It was also noted that the matter would be for decision for Full Council.

Review – some Members referred to the analysis in the report relating to the number of other Local Authorities who had appointed an independent Member such as the Council's CIPFA comparator authorities and other authorities in Kent and whether there was a trend for authorities to appoint an Independent Member, as well as making reference to how well the Committee currently worked. It was also noted that three of the four Committees in Kent were also responsible for Councillor conduct matters.

Members voted on the following proposal:

To recommend to Council that an Independent Member be appointed to serve on the Committee.

On being put to the vote, the proposal was lost.

In accordance with Rule 12.4 of the Council Rules, a recorded vote on the proposal was taken.

For – Councillors Browne and Osborne (2)

Against – Councillors Hackwell, Tejan and Thorne (3)

Decision:

The Committee agreed not to recommend to Council that an Independent Member be appointed to serve on the Committee.

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Chairman

Date:

Wayne Hemingway, Head of Democratic Services

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