

Medway Council
Meeting of Audit Committee
Thursday, 23 June 2022
6.30pm to 8.06pm

Record of the meeting

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

Present: Councillors: Thorne (Chairman), Edwards, Osborne and Tejan

Substitutes: Councillors: Potter (Substitute for Gulvin)

In Attendance: Stephanie Davis, Democratic Services Officer
James Larkin, Head of Internal Audit and Counter Fraud Shared Service
Phil Watts, Chief Operating Officer

82 Apologies for absence

An apology for absence was received from Councillor Gulvin.

83 Record of meeting

The record of the meeting held on 17 March 2022 and the record of the Joint Meeting of Committees held on 18 May 2022 were agreed and signed by the Chairman as correct

Councillor Osborne raised a question regarding Item 8 - Annual Audit Letter 2019/20 and requested an update from officers regarding the increase and rising cost of fees.

The Chief Operating Officer informed the Committee that he had previously written to the Public Sector Audit Appointments Limited (PSAA) regarding fees for 2019/2020 and the fees had been upheld. Following the last meeting where fees were discussed, the PSAA was contacted regarding fees for 2020/21, and they have committed to contact the Chief Operating Officer when Grant Thornton makes their representation, and it would be discussed at that point.

The Committee requested that a separate representation as agreed at the last meeting regarding the fees be made to the PSAA.

84 Urgent matters by reason of special circumstances

There were none.

85 Disclosable Pecuniary Interests and Other Significant Interests

Disclosable pecuniary interests

There were none.

Other significant interests (OSIs)

There were none.

Other interests

Councillor Tejan declared that Agenda Item 6 mentions the Innovation Centre and his business occupied an office space in the building.

86 National Fraud Initiative Exercise Annual Update

Discussion:

The Head of Internal Audit and Counter Fraud Shared Service introduced the report which provided an update on the Nationwide matching exercise conducted by the National Fraud Initiative.

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

- **National Fraud Initiative (NFI)** – it was commented that the NFI was undertaking significant work on Covid fraud investigations and given that the Council had received Covid funds from the Government, it was noted that there had been minimal Covid fraud investigations carried out by the Team. It was asked what scale of fraud reviews had been undertaken against the funds paid out to small businesses and persons. The officer said that a number of cases had been investigated, the majority of which were not validated. There had been occurrences where funds had been paid out as a result of submission of duplicate applications, these had been identified and the funds recouped.

At the beginning of the Nationwide Business Grant scheme, the message was to distribute the funds quickly and this approach caused problems nationally due to checks not put in place to minimise risk. Medway took a different approach and ensured frontline processes were put in place to mitigate risk which resulted in limited numbers of fraudulent cases.

- **Benchmarking** - in response to a question on whether any benchmarking had been done against other Local Authorities on their

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experiences, the officer said that he would approach colleagues across the county to get an idea of their matches and results.

- The Chief Operating Officer reiterated that Medway's deliberate policy to exercise usual practice over distribution of public funds assisted in ensuring the limited instance of fraudulent cases.
- **Checks put in place and lessons learnt** – in response to a question on when the last review of checks conducted by an external company took place and the re-couped costs, the Chief Operating Officer advised that exercises were conducted periodically by a company who looked for errors in the Councils purchase ledger, the amount recouped varied.

It was asked what lessons had been learnt and how confident officers were in the robustness of the measures in place to mitigate risks. The Chief Operating Officer advised that as part of a review of processes, a number of errors had been identified and stringent checks had been put in place to identify errors going forward.

In response to questions on how much work had been undertaken to identify fraudulent cases and what percentage was identified, the officer said that whilst there had been errors detected in the systems, fraudulent cases had not been identified. There had been an error of duplication of payment of £10000 business relief grant which has been recovered. Assurance can be taken from the fact that at the height of the pandemic the team had been redeployed to frontline to undertake validation of the grants. Quarterly returns were being sent to the Department for Business Energy & Industrial Strategy on the eight different schemes the Council was involved in which meant the Council was being heavily scrutinised on its assurance processes.

Decision:

The Committee noted the content of the report

87 Internal Audit and Counter Fraud Annual Report 2021-22

Discussion:

The Head of Internal Audit and Counter Fraud Shared Service introduced the report which detailed the performance of the service against the annual work plan for 2021/22 and brought together the three updates that were presented to the Committee during the year as well as additional information on work that had been completed since the last update.

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

The team was thanked for all their hard work over the year.

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- **Resources** – it was asked if there were sufficient resources within the team as the team's resources has been deployed during the Pandemic to different parts of the service and it was noted that 72% of implementations against actions could be as a result of resource issues. The officer confirmed that resources had not been diverted to other parts of the service in the last year. The audit team had no involvement in the 72% implementation against actions as actions identified by reviews were the responsibility of the service to take action to improve their controls. The percentage if taken just as a number would appear low but should be taken in context of numbers implemented against the number outstanding.
- **Outstanding Actions** – in response to a question on what could be done by the Committee to increase awareness of outstanding actions and the need to prioritise, the officer said that the Committee had the power to request services to attend a meeting to provide explanations where required. Updates were given by departments as to the reasons for delays and to request extensions. It was important to remember that Covid had a significant impact on ability to deliver by agreed dates.
- **Contracts and Procurement-** in response to a question on adding a review of Children's services contracts to planned audit work review, the officer said that there was already in place a scheduled review of Children's Commissioning that was planned for this year. A refresh of the risk assessment would take place in July to set the plan for the second half of the year and would be brought before the Committee in September. Details of Education and Children's commissioning reviews could be factored into that report.

The Chief Operating Officer added that additional resource for commissioning in SEN and Education had been factored into the 2022/23 budget.

- **Norse** - in response to questions around the waste management contract, why the contract had not been signed despite them being given the contract in 2019 with some key performance measures not reported, the officer said that when the review was conducted and reports agreed with the client for publication, there was an action plan in place for date of completion of works to complete the action. That date had only just elapsed, and this was the reason why there was no update in the report regarding this.

The Chief Operating officer added at the point the audit was conducted, the target date agreed was 31 March 2022 which in terms of the audit action plan had only just elapsed. A commitment was made for a briefing to be obtained from the Head of Service as to what the issues were that had led to the delays.

The officer reminded Members that the Audit Team had no involvement in the management of the contract as the review was to look into the contract management arrangements and provide an opinion.

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Members asked for representation at a future meeting of relevant officers to attend a future meeting to provide clarity purely on the information that had been presented in the report. The Chair agreed this action.

The team was thanked for the work completed on the Medway Tests audit.

Children's Commissioning and Children's Improvement would both be part of audit process and efforts of the team were welcomed.

- **Looked After Children (LAC)** - it was asked in terms of LAC children's regular savings, what actions and measures were in place to recoup the monies that had been paid directly to foster carers. The officer said the business change team was involved in work for the Council to pay the saving directly into the accounts of LAC. Controls were being put in place to ensure savings monies would not be paid to foster carers in the future with more work to be done to ascertain if there were any monies to be recouped.
- **Housing Infrastructure Fund (HIF)** - it was commented that clarification was needed on the HIF projects terms of reference as raised at Regeneration Culture and Environment Overview and Scrutiny Committee, around the Councils liability in the instance that the project was delayed. It was important to ensure that adequate monitoring of the project was in place.
- **Deferred Audit** - it was noted that some audits that has been deferred in 2021/22 had not been picked up in 2022/23 plans. The officer said that they were not included for various reasons, other audits may have been prioritised in terms of risk. The audit plans for the second half of the year would be reviewed in July and it would be decided what audits needed to be addressed.

Decision:

1. The Committee noted the work undertaken by the Internal Audit and Counter Fraud Shared Service for Medway during 2021-22 in providing an effective service to the Council.
2. The Committee considered and agreed to support the opinion of the Council's internal control environment provided by the Head of Internal Audit and Counter Fraud Shared Service, as set out in Section 4 of Appendix 1, that Medway Council's risk management, system of internal control, and framework of governance, were sufficient and effective, and contributed to the proper, economic, efficient, and effective use of resources in achieving the council's objectives.

88 Internal Audit and Counter Fraud Annual Surveys 2021-22

Discussion:

The Head of Internal Audit and Counter Fraud Shared Service introduced the report which was discussed in two parts.

The last survey was undertaken in 2018/19 and whilst it had been intended to take survey's annually this was impacted by Covid and lockdown. The results gathered would act as a baseline for comparison going forward

The Internal Audit Survey was issued to Elected Members, Service Managers and those in higher posts that interact with internal audit. Eight responses were received, five of the responses were from different areas of service with the other three from Members.

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

- **Internal Audit Survey** – in response to questions on what could be done to improve the level of respondents as it was unacceptable to have had such low participation from departments top assess quality and whether timing was a factor, the officer acknowledged that the level of response was disappointing. A Commitment was made to explore different ways, utilising comms in order to improve on participation numbers. The survey took place annually at the end of April and was open for a period of three weeks. Consideration may be given to running it if possible, for a slightly longer period next year.

It was asked what learning was taken away from the responses. The Officer said that whilst there had been no identified issues, comments were made to improve comms which had been taken on board and would be taken forward. More would be done to try to generate increased responses in future.

The Head of Internal Audit and Counter Fraud Shared Service introduced the Counter Fraud Survey section of the report and informed the Committee that the survey had been sent to all Elected Members as well as all Council Staff, with a good level of participation which resulted in 200 responses. Awareness of services and role of the counter fraud team was poor, whilst ranking of the work undertaken was high.

The intention for both surveys was for a list to be compiled of all comments received that would be shared with all areas. An appeal would be sent to all negative respondents to contact so that intelligence would be gathered on the drivers behind the responses which would be collated and utilised to address issues.

Members then raised questions which included:

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- **Counter Fraud Survey**- in response to a question on whether the department had a strategy in place working with senior leadership to increase awareness of the team and department and its function, the officer said that there were more details of the work they would be undertaking as part of the new Counter Fraud plan. There were plans in place to increase awareness across the Council. Specific risk assessments would also be undertaken in all key areas. Work was being undertaken on raising fraud awareness and including work with workforce development on building into the induction process

Decision:

The Committee noted the results of the Internal Audit and Counter Fraud satisfaction surveys.

Chairman

Date:

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