

Medway Council
Meeting of Audit Committee
Wednesday, 10 January 2024
6.30pm to 8.00pm

Record of the meeting

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

Present: Councillors: Browne (Chairperson), Bowen (Vice-Chairperson),
Gulvin, Hackwell and Nestorov

In Attendance: Steve Dickens, Democratic Services Officer
James Larkin, Head of Internal Audit and Counter Fraud
Jonathan Lloyd, Finance Business Partner - Technical
Accounting
Andy McNally-Johnson, Head of Corporate Accounts
Phil Watts, Chief Operating Officer

490 Apologies for absence

There were none.

491 Record of meeting

The record of the meeting held on 29 November 2023 was agreed and signed by the Chairperson as correct.

492 Urgent matters by reason of special circumstances

There were none.

493 Disclosable Pecuniary Interests and Other Significant Interests

Disclosable pecuniary interests (DPs)

There were none.

Other significant interests (OSIs)

There were none.

Other interests

There were none.

494 Chairperson's Announcement

The Chairperson noted it was the final Committee meeting attended by the Finance Business Partner Technical Accounting. The Committee thanked him for his service to the Committee and Medway Council and wished him well for the future.

495 Risk Strategy Annual Review

Discussion:

The Chief Operating Officer introduced the report and outlined the proposed amendments to the Risk Strategy for 2024-25. Changes are limited, following significant revisions in the last two years, the principal changes being to the roles and responsibilities of officers, Portfolio Holders and the inclusion of the new Security and Information Governance Group. This ensures the Risk Strategy better reflected the constitution.

The following issues were discussed:

Monitoring of Risk – in response to a question whether the Committee should monitor the risk strategy on a quarterly basis, the Chief Operating Officer stated the role of the Committee was to ensure the Strategy and framework was in place, however, it was for Cabinet and the Overview and Scrutiny Committees to monitor the risks to the Council.

Security and Information Group – it was commented that the membership of the new Security and Information Group was unclear. The Chief Operating Officer explained to the Committee that the membership of the group would be at Assistant Director level.

Risk Matrix – in response to a question whether the matrix should differentiate between the likelihood of an event occurring and the likelihood of it being detected as an issue of concern, the Chief Operating Officer explained the current model currently measured the likelihood and impact of an event and that measures to improve detection were part of the mitigating action and would be reflected in the residual score. He added the Cabinet would consider the comment when reviewing the Strategy.

Decision:

The Committee considered the 2024/25 Risk Strategy as set out in Appendix A to the report and submitted comments to Cabinet.

496 Treasury Management Strategy 2024/25

Discussion:

The Finance Business Partner – Technical Accounting introduced the report and highlighted that it was based upon the current Capital Programme, any

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changes in the programme would result in changes to the forecast position such as the Minimum Revenue Provision.

The Finance Business Partner – Technical Accounting reported that the Council continued to operate within the Capital Finance Requirement, this confirmed the Council did not borrow to meet revenue costs.

The Council was not borrowing for longer than necessary as shown by the CIPFA liability benchmarking and the Debt Maturity Profile shows the Council is not locked into current high interest rates.

The Finance Business Partner – Technical Accounting noted there were no proposed significant changes to Treasury Management Practices.

The following issues were discussed:

Borrowing in lieu of business rates – it was noted that borrowing in lieu of business rates was planned to increase and it was queried whether income from business rates was also expected to increase. The Finance Business Partner – Technical Accounting explained that spending on Capital Projects would likely increase receipts from business rates.

Refinancing Loans – in response to a question whether the Council had difficulty refinancing its loans the Finance Business Partner – Technical Accounting confirmed the Council had no problem refinancing its loans. The Local Authority loan market had reduced; however the Council could borrow from the Public Loans Works Board (PLWB), which was borrowing from central government which, at present was often cheaper than borrowing from other local authorities. The advantage of the local authority market for borrowing was that it can be arranged in one day, whereas PLWB take a week to arrange. The PLWB lends to all Councils at the same rate.

Council balance – in response to a question how the Council ensures it has enough day to day cash in hand available, the Finance Business Partner – Technical Accounting stated that the Council aimed to hold around £10m as a cash balance at any one time.

Borrowing in lieu of other recipients – further detail was requested related to the Council borrowing in lieu of income from capital, the NHS and rents. The Chief Operating Officer explained the Council had borrowed to invest in Innovation Park Medway to encourage businesses to set up at that location. The infrastructure costs of developing Innovation Park Medway could be paid at a later date with capital receipts received from that investment. This arrangement was put in place prior to recent national economic changes and business case for the project was currently being reviewed.

Borrowing in lieu of NHS grants was related to the development of the Healthy Living Centre in Chatham and borrowing in lieu of rents related to the HRA programme and the former Debenhams site. The borrowing will be serviced through rent receipts.

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Environmental, Social and Governance Policy (ESG) – in response to a query whether an ESG Policy Had been developed the finance business partner – Technical Accounting explained that there was a requirement to give regard to ESG, however, a detailed policy was not in place because the Council invest very little save for monies to MDC and Kyndi. The Council does not have the resources to investigate the investment policies of banking or property companies it invests in.

Market Risk Management – Further explanation was requested of paragraph 1.88 of the Treasury Management Practices, the Chief Operating Officer confirmed the market risk management was a proxy for testing credit worthiness of the institutions that the Council invest in. The Finance Accounting Partner added that when depositing into banks he would check the banks credit worthiness however, all deposits are short term so the risk to the Council is low.

Decision

- 1.1 The Committee considered this report, noted its contents and passed comments to Cabinet and for consideration and recommendation to Full Council for approval.
- 1.2 The Committee agreed to send the self assessment to Overview and Scrutiny Chairpersons with an accompanying note regarding training.

497 Internal Audit Update 01 September to 30 November 2023

Discussion:

Head of Internal Audit & Counter Fraud Shared Service introduced the report and highlighted the positive progress made during the period, 40% of assurance reviews had been delivered and a further 33% were underway.

Amendments to the agreed audit plan were requested, which included deferring the review of Facilities Management to 2024-25 and removing the Therapeutic Outreach and Support Service as the service was now outsourced.

The following issues were discussed:

Delay in implementation of actions – in response to a question what was the cause of delay implementing actions over six months, in particular actions relating to the Children In Need Service review, the Head of Internal Audit & Counter Fraud Shared Service explained the in relation to the Children In need Service, there had been a delay in training being completed by the provider of Allpay cards. In house training had been arranged and was scheduled to be completed by the end of January.

Independent Assurance of the Counter Fraud Team – it was noted that it was now four years since an independent assurance review of the Counter Fraud Team had taken place. The Head of Internal Audit & Counter Fraud

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Shared Service explained this cannot be completed internally by the Audit Team as he managed both teams. He added that he was in discussion with Dartford and Sevenoaks for a reciprocal arrangement where they would review Medway Council's Counter Fraud team and Medway would in turn review their Risk Management Framework in 2024/25.

Budget – in response to a query about audits exceeding the allocated day budget, the Head of Internal Audit & Counter Fraud Shared Service acknowledged that some reviews had exceeded the estimated resource budget, but this was due to work being more complex than originally envisioned.

Market Income Collection – it was commented that the increased transparency associated with publishing Market pitch fees was welcome.

Decision:

- 1.1. The Committee noted the outputs and performance against the Internal Audit Plan for Medway for the period 1 September to 30 November 2023 as detailed at Appendix A.
- 1.2. The Committee approved the revisions to the agreed internal audit plan for Q3-Q4.
- 1.3. The Committee approved the revised implementation dates for actions detailed in section 8 of the report attached at appendix A.

498 Counter Fraud Update 01 September to 30 November 2023

Discussion:

The Head of Internal Audit & Counter Fraud Shared Service introduced the report and highlighted that 12 investigations had been completed in the period resulting in savings of £11,740 to the Council. Savings in the year to date totalled £378,646, significantly higher than the £248,990 cost of the service.

The following issues were discussed:

External investigations – it was queried whether external investigations provided value for money given the low recovery rate, the Head of Internal Audit & Counter Fraud Shared Service explained that the savings identified was lower than usual however, it was for the current reporting period only and the savings to the Council for the year to date remained significantly above costs.

Council tax single person discount – it was queried whether there was scope to achieve the planned £800,000 reduction in cost of the tax single person discount in the draft budget when the number of matches currently open for investigation was a small percentage of the number provided by National Fraud Initiative undertaken in 2022-23. The Head of Internal Audit & Counter Fraud Shared Service explained that matches from National Fraud Initiative 2022-23 covered a broader range of issues than just Council tax. The £800,000

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saving in the draft budget refers to other proactive work being undertaken by the Revenues team and is not related to the National Fraud Initiative.

Decision:

The Committee noted the outputs and performance of the Counter Fraud Team for Medway for the period 01 September to 30 November 2023 as detailed at Appendix A.

499 Internal Audit & Counter Fraud Strategy 2020-24 - Review of Progress 2023-24

Discussion:

Head of Audit & Counter Fraud Shared Service introduced the report, he noted there had been progress in most areas during the year but the service had been unable to draft a new strategy for the period from 2024 onwards. This was in part due the Service's involvement in the pilot phase of the Council Medpay review. Changes to the Global Internal Audit Standards which were published on 9 January and would have effect from January 2025, would also place new requirements on any service strategy. As such it was proposed that the current 2020-2024 strategy be extended to cover 2024-25, which would enable the service to prepare a new strategy which would account of the changes to Global Internal Audit Standards.

The following issues were discussed:

Recruitment and retention – in response to a question whether the Medpay pilot scheme had a positive effect on recruitment and retention of staff the Head of Internal Audit & Counter Fraud Shared Service stated it was too early to assess the impact of the pilot as no staff had left, therefore no recruitment required, since the work was completed. The new career progression frameworks do give a clear career progression and enable better succession planning.

Decision

- 1.1. The Committee noted the progress made against the objectives set out in the Internal Audit & Counter Fraud Strategy 2020-24.
- 1.2. The Committee approved the extension of the existing 2020-24 strategy to cover the period 2024-25

500 Internal Audit Charter 2024-25

Discussion:

Head of Internal Audit & Counter Fraud Shared Service introduced the report and outlined there were no substantive changes to the Charter from the previous year. There had been some minor updates to the structure chart.

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Head of Internal Audit & Counter Fraud Shared Service added that updated Global Internal Audit Standards had been published the previous day (9 January 2024) which would be reviewed and inform changes to the Charter for 2025-2026.

The following issues were discussed:

Reporting structure – in response to a question whether his service reported to a Portfolio Holder, Head of Internal Audit & Counter Fraud Shared Service explained that he did report to the relevant Portfolio Holder like other services, however, the Charter showed as Chief Audit Executive he also had direct reporting lines to the Chief Executive and the Audit Committee.

Investigations – in response to a question whether it is ensured that audit staff do not work with a team if they have previously investigated, the Head of Internal Audit & Counter Fraud Shared Service advised that internal auditors do not undertake investigations, that is dealt with by the counter fraud team. If an auditor had previously undertaken consultancy work in an area, they would not undertake an assurance audit in that same area, at least not for a period of time.

Decision

The Committee approved the Charter as set out at Appendix 1 to the report.

Chairperson

Date:

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