

Medway Council
Meeting of Audit Committee
Wednesday, 27 March 2024
6.30pm to 7.37pm

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), Hackwell and Nestorov
- Substitutes:** Councillors:
Doe (Substitute for Gulvin)
- In Attendance:** Steve Dickens, Democratic Services Officer
Wayne Hemingway, Head of Democratic Services
James Larkin, Head of Internal Audit and Counter Fraud
Andy McNally-Johnson, Head of Corporate Accounts

712 Apologies for absence

An apology for absence was received from Councillor Gulvin.

713 Record of meeting

The record of the meeting held on 10 January 2024 was agreed and signed by the Chairperson as correct.

714 Urgent matters by reason of special circumstances

There were none.

715 Disclosable Pecuniary Interests and Other Significant Interests

Disclosable pecuniary interests

There were none.

Other significant interests (OSIs)

There were none.

Other interests

There were none.

716 Treasury Management Report: Quarter 3

Discussion:

The Head of Corporate Accounts introduced the report which covered the period up to 31 December 2023. He highlighted borrowing had increased during the year by £11.7m though remained £64m below the capital finance requirement.

The Council's debt maturity profile continued to be focused upon short and medium-term borrowing, however, debt maturity for the next 12 months remained under the £150m limit and debt was repaid at regular intervals. Council treasury advisors continued to be against long-term borrowing at this stage with interest rates expected to fall in the medium term.

The Council received notice of two Lenders Options, Borrowers Options (LOBOs), £10m was repaid in quarter three, with a further £5m repaid in quarter four. No other debt rescheduling was required in quarter three.

The capital investment value was now below the original cost, the Lothbury fund continued to be in difficulty and a decision to dissolve or seek a merger was due by the end of March 2024. The likely result of this would be a capital loss of around £1m to the Council and this had been forecast in round three budget monitoring.

The following issues were discussed:

Debt Maturity – a Member commented that there was £40m due to be refinanced this year and £100m next year and queried whether the Council continued to borrow on a short term basis with interest rates being projected to fall significantly next year. The Head of Corporate Accounts stated that the Council continued to take advice from its treasury advisors, he added that the large debt maturity next year was concentrated towards the end of the year.

Capital Receipts – the committee requested further detail on the £52.4m capital receipts repayment at table 5.2 of the report. The Head of Corporate Accounts undertook to provide a briefing note to the Committee following the meeting.

Lothbury Fund – a Member queried how decisions to invest were made. The Head of Corporate Accounts stated the Council took advice before investing, however the investments were made for the long term. There had been a significant decline in returns post pandemic.

Investment – It was asked whether the Council could look at how other authorities were achieving higher returns on investment and consider replicating their strategies. The Head of Corporate Accounts acknowledged that some authorities achieved better investment returns however, returns were

Audit Committee, 27 March 2024

dependent on the level of risk the authorities had accepted. The Council had followed a prudent risk strategy.

Lending to other authorities – in response to a question whether lending to other authorities was considered high risk at the moment, the Head of Corporate Accounts replied that authorities were backed by the government so were not high risk, but the local authority market for lending had contracted considerably and local authority lending rates were very high, around 2% above PWLB.

Interest and Financing Budget – it was questioned why £967,000 had been drawn from reserves, when the budget showed an underspend of almost £1.3m. The Head of Corporate Accounts explained the drawdown on reserves was earmarked to fund treasury spend and so by using it, it allowed the Council to forecast an underspend.

Decision:

1. The committee noted the treasury management report.
2. The committee requested a briefing note providing further detail on the £52.4m capital receipts repayment 2023/24 as stated in table 5.2 of the report.

717 Recruitment of an Independent Member

Discussion:

The Head of Democratic Services introduced the report and highlighted the appointment of an Independent Member had been approved at Full Council on 24 January 2024. The Committee was asked to consider the proposed job description and composition of the interview panel to recruit to the role.

The following issues were discussed:

Interview panel – Members debated whether officers should provide support and advice to the interview panel or be part of the panel itself. It was commented that where Members had taken part in an interview panel through the Appointments Committee, officers provided support and advice rather than being part of the panel itself and this worked well.

Job description – it was suggested that current Medway Councillors, Officers and their spouses or civil partners be added to the persons who cannot be an Independent Member in the job description.

Decision

1. The Committee commented on the draft job description for the Independent Member, as set out in Appendix 1 to the report.

Audit Committee, 27 March 2024

2. The Committee agreed that an Interview Panel comprising the Chairperson, Vice Chairperson and Opposition Spokesperson with support from the Chief Operating Officer and Assistant Director, Legal and Governance be established for (a) the purpose of shortlisting and interviewing applicants for the role of Independent Member and (b) to make a recommendation to the Audit Committee for approval of the proposed candidate.
3. The Committee agreed to delegate authority to the Chief Operating Officer, in consultation with the Chairperson and Assistant Director Legal and Governance, to finalise the job description taking into account comments from the Committee and to arrange for the recruitment process to be undertaken, as set out in sections 4 and 5 of the report.

718 Internal Audit Update 1 December 2023 to 31 January 2024

Discussion:

The Head of Internal Audit & Counter Fraud Shared Service introduced the report, he highlighted that 48% of audits had been completed by 31 January with a further 37% of audits underway. The latest available figures as of 27 March were 70% of reviews completed and a further 26% underway. The target of 95% of reviews completed for the year would not be met, however, this would not affect the overall audit opinion.

The report proposed one review, Code of Conduct, be deferred to 2024-25 as it was considered impractical for the review to be completed whilst the HR service was undertaking the Medpay review.

There was one management action which had not been completed within six months of the agreed action date by 31 January which related to Tree Policy. The Head of Internal Audit & Counter Fraud Shared Service confirmed a response had subsequently been received.

The following issues were discussed:

Children's Imprest Account – in response to a request for further information regarding the Children's Imprest Account review, the Head of Internal Audit and Counter Fraud explained that the account dealt with petty cash and management action related to expenditure not approved by officers within the Council's policies. This was caused, in part, by turnover of staff and further training was required, the service was working to make improvements in the way the account was handled.

Cross Department Learning – in response to a question whether learning from a review in one department was shared more widely, the committee was informed that learning was shared where relevant, and all financial reviews were provided to the section 151 officer.

Audit Committee, 27 March 2024

Financial Planning & Budget Setting – concern was expressed that there remained one high and one medium priority action in relation to the Financial Planning and Budget Setting review. The Head of Internal Audit and Counter Fraud undertook to provide further information regarding the review to the committee outside of the meeting.

1. The Committee noted the outputs and performance against the Internal Audit Plan for Medway for the period 1 December 2023 to 31 January 2024 as detailed at Appendix 1.
2. The Committee approved the revision to the agreed internal audit plan for Q3-Q4 detailed in section seven of Appendix 1.

719 Counter Fraud Update 1 December 2023 to 31 January 2024

Discussion:

The Head of Internal Audit & Counter Fraud Shared Service introduced the report and highlighted nine investigations had been completed in the period resulting in savings of £3,963 to the Council. Savings in the year to date totalled £367,798, significantly higher than the £236,815 annual cost of the service.

The Committee thanked the team for its diligence and hard work.

Decision:

The Committee noted the outputs and performance of the Counter Fraud Team for Medway for the period 1 December 2023 to 31 January 2024 as detailed at Appendix 1.

720 Internal Audit Plan (Q1-Q2) 2024-25

Discussion:

The Head of Internal Audit & Counter Fraud Shared Service introduced the report. The Audit plan for Q1-Q2 2024-25 was focused on areas of highest risk and was linked to the Council's Risk Register, it also took into account demands on different services to ensure the normal work of the council would continue without disruption.

Decision:

The Committee is requested to approve the Internal Audit Plan (Q1-Q2) 2024-25 presented at Appendix 1.

721 Counter Fraud Plan 2024-25

Discussion:

Audit Committee, 27 March 2024

The Head of Internal Audit & Counter Fraud Shared Service introduced the report. The plan did not include planned resource in completing internal grievance complaints. The service had also undertaken scoping for pro-active work in Counter Fraud, which was also not listed for reasons of confidentiality.

Decision:

The Committee approved the Counter Fraud Plan 2024-25 presented at Appendix 1.

722 Internal Audit Quality Assurance & Improvement Programme

Discussion:

The Head of Internal Audit & Counter Fraud Shared Service introduced the report, he highlighted there were only minor changes to the programme for 2024-25. More significant changes were expected next year when the new global audit standards would come into effect in January 2025.

Decision:

The Committee approved the Quality Assurance & Improvement Programme (QAIP) presented at Appendix 1 for use in 2024-25.

723 Homes England Compliance Audit Report

Discussion:

The Head of Internal Audit & Counter Fraud Shared Service introduced the report, he explained the Rough Sleeping Accommodation Programme had been positively audited by Homes England with one low priority recommendation. The error was corrected when identified and further checks were undertaken. Following the error processes had been put in place to prevent the error reoccurring. It was a requirement of the report for it to be acknowledged by the Audit Committee.

The following issues were discussed:

The Committee thanked the team for the positive work it had undertaken.

It was queried why two of the six the flats purchased remained uninhabitable. It was agreed this issue would be referred to the relevant committee for consideration.

Decision:

1. The Committee acknowledged the findings of the report and recommended that this is then entered onto the Homes England IMS system.

Audit Committee, 27 March 2024

2. The Committee passed it thanks to the team for its hard work in undertaking the programme.
3. The Committee requested the relevant committee (The Regeneration, Culture and Environment Overview and Scrutiny Committee) to consider why two of the six the flats purchased for the programme remained uninhabitable.

Chairperson

Date:

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