

## **Audit Committee Chairperson's Annual Report 2023/24**

### **1. Foreword**

I am pleased to present the Annual Report of the Audit Committee which outlines the Committee's work for the year 2023-24. This is the first Chairperson's Annual Report of the Audit Committee.

The Governance and Audit Committee is a key part in the Council's governance framework to provide independent oversight on the effectiveness of the Council's governance, risk, financial management, and internal control arrangements. This has continued throughout the financial year.

The Audit Committee continues to operate in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA).

I would like to thank officers who have supported the work of this Committee and Members for their contributions and willingness to operate in an apolitical manner to promote good governance.

I look forward to the forthcoming year and progress in the recruitment of an Independent Member to the Committee to provide further support and challenge.

Councillor Hazel Browne  
Chairperson Audit Committee

### **2. The role of the Committee**

CIPFA's Position Statement 2022: Audit committees in local authorities and police Purpose of the audit committee, defines the purpose of the Audit committees as a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The terms of reference of the Committee were reviewed in July 2023 and approved by Full Council in January 2024 and can be found at appendix A of the Annual Report. The purpose of the Audit Committee is to provide independent high level objective oversight of the adequacy of the governance, risk management framework and internal control environment of the Council, independent scrutiny of the authority's financial and non-financial performance and oversight of financial reporting processes.

### **3. The work of the Committee in 2023/24**

- Maintenance of governance, risk and control arrangements

## Risk Strategy

The Audit Committee reviews the Medway Council Risk Strategy on an annual basis and makes recommendations for change to Cabinet. It is the responsibility of the Committee to assure itself that the strategy and appropriate framework is in place. Ongoing monitoring of the Risk Register is undertaken by Cabinet and Overview and Scrutiny Committees.

The Committee reviewed the strategy in January 2024 and provided comments to Cabinet prior to its approval by Full Council. Amendments in 2024 were minor following significant revisions for the previous two years. Changes included the addition of roles and responsibilities of the Security and Information Governance Group and Overview and Scrutiny Committees. In addition, amendments were agreed to the roles of responsibilities of Portfolio Holders, Cabinet, Audit Committee and Leader of the Council in relation to Risk Management to more closely reflect the Medway Council Constitution.

## Counter Fraud

The Audit Committee approves the Counter Fraud plan for the forthcoming year and receives regular reports from the Head of Internal Audit and Counter Fraud on the performance of the team.

The Counter Fraud Plan for 2023-24 was approved by the Audit Committee in March 2023, with Medway's share of the counter fraud resource costing £229,219, which also includes dedicated resource to undertake internal disciplinary and grievance investigations. From 1 April – 31 March 2024, the work of the counter fraud team resulted in savings to the Council of £384,185, demonstrating good value for money.

The Counter Fraud Plan for 2024-25 was approved by Committee in March 2024 and progress against the plan will be monitored on a regular basis.

The Committee also received reports in relation to progress by the Council against the National Fraud Initiative and the results of Medway Council Counter Fraud satisfaction survey.

- Financial and governance reporting

## External Audit Reports

The external audit report for 2020-21 was completed during the year. In addition, the draft statement of Accounts have been published for 2021-22 and 2023-24, with 2022-23 to follow shortly. Due to a backlog of external audits, the Government set a deadline for the completion outstanding audits to be completed which the Council considered not achievable. As a consequence, audits for 2021-22 and 2022-23 were not completed by external auditors and therefore are likely to issue a disclaimer of opinion for those financial years.

## Annual Governance Statement

Medway Council has a responsibility to conduct an annual review of the effectiveness of its governance framework, including the system of internal control. The Annual Governance Statement for 2022-23 was reviewed and approved by the Audit Committee in September 2023. The Committee was pleased to receive the opinion of the Head of Internal Audit & Counter Fraud that Medway Council had appropriate systems of governance in place in order to achieve the Council's objectives.

## Treasury Management

The Council is required to set out and prepare a Treasury Strategy for borrowing and prepare an Investment Strategy annually. The Committee received quarterly reports providing a review of Treasury Management activity and performance against the Treasury Management Strategy for 2023/24. The Treasury Management Strategy Statement for 2024/25 was considered by the Audit Committee in January 2024 and approved by Full Council in February 2024.

## Speak Up, Anti Bribery and Anti-Money Laundering Policies: Report on instances

In September 2023, the Committee received a report about the number and nature of concerns raised under the speak up, anti-bribery and anti money laundering policies September 2022 to September 2023. There were no concerns raised in relation to anti bribery and anti money laundering policies. The number of complaints in relation to speak up policies were in line with an organisation the size of the Council.

- Establishing appropriate and effective arrangements for audit and assurance

## Internal Audit

The Committee approved the Internal Audit Plans on a six-monthly basis and received regular updates on progress against the plans during the year. This included the annual opinion from the Head of Internal Audit & Counter Fraud in relation to the level of assurance over the council's governance, risk management and internal control arrangements during 2022-23.

As part of its role in overseeing arrangements for an effective Internal Audit, the Audit Committee agreed an updated Internal Audit Charter, a Quality Assurance & Improvement Programme (QAIP), received an update on progress against the internal Audit & Counter Fraud Strategy, and the results of a satisfaction survey issued across the council.

The Committee also received the report on an External Quality Assessment, which was an independent assessment of the internal audit's functions compliance with the Public Sector Internal Audit Standards (PSIAS), which resulted in a Green opinion for the service.

- Other items within the Audit Committee Terms of Reference  
Review Terms of Reference

The Committee reviewed its terms of reference in June 2023 to ensure that it met the requirements of the Constitution and reflected best practice. Following consideration of the CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022, the Committee recommended to Full Council that an independent Member be recruited to supplement the knowledge and experience of the Committee, to provide continuity outside of the political cycle and have a non-political focus.

#### **4. Membership / Attendance**

The Committee met on six occasions during 2023-24, the Membership of the Committee is five Members (three from the Labour and Co-operative Group and two from the Conservative Group), to reflect the political balance of the Council. The agenda and minutes are published to the Medway Council website and meetings are streamed to the Council website and available to view for six months.

The Committee is supported by Council Officers including the Chief Operating Officer (who is also the s151 officer), Assistant Director of Legal and Governance (who is also the Monitoring Officer), Head of Internal Audit and Counter Fraud, and the Heads of Corporate Accounts and Democratic Services.

In July 2023, the Audit Committee reviewed its membership and recommended to Full Council that an Independent Member be recruited to the Committee. Full Council approved this decision in January 2024 and a recruitment process is ongoing.

#### **5. Reports Received**

The following reports were received by the Committee during 2023/24:

##### 29 June 2023

Audit Committee - Review of Terms of Reference  
National Fraud Initiative Exercise Annual Update  
External Quality Assessment  
Internal Audit and Counter Fraud Annual Surveys 2023

##### 1 August 2023

Treasury Management Outturn 2022-2023  
Interim Auditor's Annual Report on Medway Council 2021-22

##### 28 September 2023

Annual Governance Statement 2022/23  
Whistleblowing, Anti-Bribery And Anti-Money Laundering Policies: Report on Instances September 2022 - September 2023  
Treasury Management Report Quarter 1  
Counter Fraud Annual Report 2022-23  
Internal Audit Annual Report 2022-23  
Counter Fraud Update 01 April to 31 August 2023  
Internal Audit Update 01 April to 31 August 2023

Internal Audit Plan (Q3-Q4) 2023-24

29 November 2023

Interim Auditor's Annual Report 2022/23

Appointment of an Independent Member(s)

Treasury Management Strategy Mid-Year Review Report 2023/24

10 January 2024

Risk Strategy Annual Review

Treasury Management Strategy 2024/25

Internal Audit Update 01 September to 30 November 2023

Counter Fraud Update 01 September to 30 November 2023

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

Internal Audit Charter 2024-25

27 March 2024

Treasury Management Report: Quarter 3

Recruitment of an Independent Member

Internal Audit Update 1 December 2023 to 31 January 2024

Counter Fraud Update 1 December 2023 to 31 January 2024

Internal Audit Plan (Q1-Q2) 2024-25

Counter Fraud Plan 2024-25

Internal Audit Quality Assurance & Improvement Programme

Homes England Compliance Audit Report

## **6. Training**

The following training events were held during the year:

Introduction to the Audit Committee	29 June 2023
Treasury Management	29 November 2023

## **Medway Council Audit Committee – Terms of Reference**

### Membership:

Up to 5 Members of the authority who are all free from other executive responsibilities and an Independent Member to be appointed by the Audit Committee on a fully non-voting basis and a term not exceeding 4 years (renewable once).

### Statement of Purpose:

The purpose of the Audit Committee is to provide independent high level objective oversight of the adequacy of the governance, risk management framework and internal control environment of the council, independent scrutiny of the authority's financial and non-financial performance, and oversight of financial reporting processes.

### Functions:

#### **Budget and Financial Control**

- To monitor the overall state of the Council's finances on at least a quarterly basis and advise the Cabinet on any action it recommends.
- To scrutinise the Council's treasury management, investment strategy, and minimum revenue provision policy statement along with treasury management practices and associated schedules and approve the annual treasury outturn.
- To receive and review financial information in relation to the limited companies and joint ventures set up by the Council.
- To provide an independent review of the Council's financial and non-financial performance.

#### **Financial and Governance Reporting**

- To monitor the Council's compliance with its own published standards and to consider any proposals for changes to Financial Rules and Contract Rules.
- To monitor financial policies and processes, including endorsement of improvement plans to strengthen the control environment.
- To consider and approve the Council's statement of accounts each year.
- To review and approve the annual governance statement, ensuring that it properly reflects the risk environment and notes actions for improvement, and how the governance supports the achievement of the authority's objectives.
- To review the response to the External Audit Letter to those charged with Governance prior to sign off by the Chair of the Committee.
- To receive the audit findings report, annual audit letter and management's response to any audit findings and recommendations.

#### **External Audit**

- To inform the appointment of the External Auditor undertaken by Full Council.
- To discuss with the external auditor new accounting standards, changes to the reporting framework and the basis of the annual audit, including the content of performance work;

- To review with management the annual audit fee letter and annual audit plan and to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity.

### **Internal Control, Risk Management, Internal Audit and Counter Fraud**

- To review the effectiveness of the council's risk management framework and the associated internal control environment and arrangements for delivering value for money.
- To inform the risk assessment process used to develop the Risk Management Strategy and Corporate Risk Register for the Council
- To monitor the effective development & operation of risk management in the authority.
- To monitor and review the performance of internal audit, the effectiveness of the internal audit function, the internal audit programme and internal audit findings, including the effectiveness of management's response to findings.
- To seek such assurance as it may deem appropriate that the internal audit function is independent, objective, adequately resourced, has appropriate standing within the Council and conforms to professional standards.
- To receive the annual opinion from the Chief Audit Executive.
- To consider and make recommendations on reports to the Council by Internal Audit, External Audit, and other external inspectorates.
- To monitor and review the performance of counter fraud, the effectiveness of the counter fraud function, and the Council's counter-fraud arrangements and anti-corruption measures, including the counter fraud & corruption strategy.
- To receive reports in line with the Council's whistleblowing, anti-bribery, covert surveillance and anti-money laundering policy.

### Engagement & Outputs:

To discharge its responsibilities effectively, the Audit Committee will:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
- be able to meet privately and separately with the external auditor and with the head of internal audit.
- include, as regular attendees, the chief finance officer(s), the head of internal audit, the appointed external auditor, and the monitoring officer, who will all be able to access the committee members, or the chair, as required.
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have the right to request reports and call on any other officers or agencies of the authority as required in order to seek assurance.
- support transparency, reporting regularly on its work to those charged with governance.
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance.