

Medway Council
Meeting of Audit Committee
Thursday, 20 March 2025
7.00pm to 9.02pm

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 Lawrence

Substitutes: Councillors: McDonald (Substitute for Nestorov)

In Attendance: Matt Dean, Director, Grant Thornton
Steve Dickens, Democratic Services Officer
James Larkin, Head of Internal Audit and Counter Fraud
Andy McNally-Johnson, Head of Corporate Accounts
Ibukun Ossai, Audit Manager, Grant Thornton
Claire Sharman, Finance Business Partner – Technical Accounts
Phil Watts, Chief Operating Officer

774 Apologies for absence

Apologies were received from Councillor Nesterov and Independent Member Anumesh Chandra.

Councillor Lawrence advised that he would leave the meeting for a short period at around 7.25pm.

775 Record of meeting

The record of the meeting held on 28 January 2025 was agreed and signed by the Chairperson as correct.

776 Urgent matters by reason of special circumstances

There were none.

777 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 Hackwell declared an interest in relation to agenda item 5 (Audit Plan for the year ending March 2025) as he is a trustee of a charity which currently leased a building from Medway Council.

778 Audit Plan For The Year Ending 31 March 2025

Discussion:

The Head of Corporate Accounts introduced the report which sets out audit fees and the detailed the planned work to undertake the 2024-25 audit.

The Director, Grant Thornton explained that the high-level risks contained in the report were standard in the current financial climate and also highlighted the proposed local government re-organisation and the reform of the local audit system as additional risks.

He added that there was one new standard for 2024-25 to be audited which related to assets leased by the Council. Work was ongoing in preparation of the audit of this new standard.

The backstop date to complete the audit was February 2026, in future years, the completion dates would be earlier as delays in the national audit system reduced.

The following issues were discussed:

Audit fees – further detail was requested regarding the audit fee for 2022-23 when audits were not completed. The Director, Grant Thornton explained that the £75,000 fee related to costs for 2021-22 and 2022-23 value for money review.

Timeframe for audit work - in response to a question whether the end of June was the right time to start the audit work given delays in previous years, the Director, Grant Thornton stated that this had been discussed and agreed with the finance team and represented a move back towards standard timeframes in undertaking fieldwork following the difficulties in the national auditing system.

The Committee discussed the timely completion of property valuations, which was a cause for delay in previous audits, the Head of Corporate Accounts stated that finance was aware of the risks and were working closely with valuers to ensure the work was completed in a timely manner.

Cyber security – A Member welcomed the inclusion of cyber security in the audit, they commented that they would like to see some work done with

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external partners to ensure the council was undertaking due diligence in procurement. The Director, Grant Thornton stated that there would be some work done regarding cyber security but it may be limited in scope, he undertook to consider how cyber security would be addressed in the audit. The Chief Operating Officer added that it may be an issue which could be considered by the Internal Audit team rather than through external audit.

Emergency Financial Support (EFS) – it was asked how the EFS would be considered as part of the audit. The Director, Grant Thornton explained there would be a detailed review of the Capital finance which would include the EFS and that the correct amount had been drawn down and allocated. The Chief Operating Officer added that there had been limited guidance from central government regarding the scope and nature of the assurance to be provided by the auditor.

Decision

The Committee noted the updated Audit Plan for 2024/25 including the core fees and those proposed for other audit services.

779 Informing The Audit Risk Assessment 2024/25

Discussion:

The Head of Corporate Accounts introduced the report which provided details of the external auditor questions and management responses to inform the external audit.

The following issues were discussed:

Risk profile – The Committee discussed the changed risk profile of the Council, and how this would be addressed in the audit. The Director, Grant Thornton stated that there were two significant risks to the Council, in relation to the accounts and the broader financial risk to the authority. The Chief Operating Officer commented that the EFS had provided the Council with some certainty regarding the financial risk to the Council and assisted the Council in managing the risk.

The Director, Grant Thornton commented that there were no particular areas of concern raised by the management responses.

Governance – it was questioned why previous suggested weaknesses in governance were not a focus for the audit. The Director, Grant Thornton stated that the report was the Council management assessment so they would view that stronger arrangements were now in place, this could be tested as part of the value for money audit.

Decision

The Committee considered the management responses and they were consistent with its understanding, the committee made no further comments on the assessment.

780 Treasury Management Report Quarter 3

Discussion:

The Head of Corporate Accounts introduced the report which highlighted treasury performance in quarter three. He reported that total debt stood at £551m at the end of quarter three, a £58m increase since the start of the financial year, c£31m below the Capital Finance Requirement (CFR).

The Council continued to prioritise short term borrowing, following the guidance of treasury advisors whilst seeking to balance the debt maturity profile where possible.

The Head of Corporate Accounts also noted that the local authority borrowing market had been difficult recently however, the Council was looking to take advantage of opportunities in the coming months.

With reference to Lender Option Borrower Option (LOBO) there had been no early redemptions in the quarter, there had been indications of potential requests in the new financial year and officers would update the Committee as required.

There had been an improved performance in the Council's property funds following a significant increase in the value of one fund which had recently received planning permission for a development. The value of the fund and the dividend had performed well, and it was hoped it would continue to do so into quarter four.

The following issues were discussed:

Debt Maturity Profile – Members welcomed the balancing of the Debt Maturity profile.

Treasury Investment re-evaluation – it was asked whether the recent improvements in investments valuations were greater than the loss made in relation to the Lothbury fund. The Chief Operating Officer explained that until the investment was redeemed it would not be reflected in the accounts as a profit or loss, however if it was redeemed at the current value, it would represent a profit larger than the loss incurred by the closure of the Lothbury fund.

Increase in Interest payments – in response to a query why interest payments had risen above budget, the Chief Operating Officer explained there

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had been a realignment in the budget which had meant that interest earned and interest paid had both increased. Taken together interest and financing costs remained within budget.

Decision

The Committee noted the treasury management report.

781 Internal Audit Update 1 December 2024 to 31 January 2025

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report, which provided the Committee with the third update of work undertaken by the Internal Audit team during the year. The team had completed 26% of planned audits for the year with a further 58% of audits underway. Due to ongoing staffing issues and additional work created by the new global internal standards the team would not complete 95% of all audits by the end the financial year, however, this was unlikely to affect the audit opinion.

He added that at the end of the reporting period, six actions remained outstanding six months after the scheduled implementation date, three of those actions had subsequently been completed.

The following issues were discussed:

Outstanding actions – the Committee discussed the process in escalating actions which were not completed. The Head of Internal Audit and Counter Fraud explained that updates on the progress of actions were requested on a monthly basis two weeks prior to the target completion date. Assistant Directors receive an update on the status of actions relating to their department on a quarterly basis and Corporate Management Team receive an annual report of performance in relation to actions completed.

Actions that remained outstanding for six months following the scheduled completion date, were escalated to this Committee to scrutinise.

With respect to the outstanding action regarding cyber security, the Chief Operating Officer undertook to discuss with the ICT department and provide a briefing note to the Committee on the progress on the action.

Delay in completing audit – The Committee discussed the delay in completing some audits, the Head of Internal Audit and Counter Fraud explained that there had been various periods of sickness and two staff leaving the team at points in the year, which consequently had delayed some of the quality control work required while the audit manager was dealing with other issues, including recruitment. The team had now successfully completed a recruitment campaign and expected a new member of staff to join imminently.

Decision

The Committee noted the outputs and performance against the Internal Audit Plan for Medway for the period 1 December 2024 to 31 January 2025 as detailed at Appendix 1.

782 Internal Audit Charter

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report, he advised the Committee that the Charter specified the Internal Audit's purpose, commitment to adhering to the standards, mandate and position in the organisation.

The Charter took account of the new Global Internal Audit Standards and of the Application Note Global Internal Audit Standards in the UK public sector. He added that there would be some difference in reporting timescales to Audit Committee and some superficial changes in presentation, however, the Committee would continue to receive the same information as in previous years.

The following issues were discussed:

Shared Service - in response to a question whether the Charter also covered Gravesham Borough Council as part of the Internal Audit and Counter Fraud Shared Service, the Head of Internal Audit and Counter Fraud confirmed that the Charter and the Strategy and Quality Assurance Improvement Programme covered both councils.

Changes in reporting – further information was requested regarding the changes in the reporting pattern. The Head of Internal Audit and Counter Fraud highlighted the reporting schedule in section 7 of the Charter, which outlined what would be presented to the Committee and when.

Decision

The Committee approved the Internal Audit Charter presented at Appendix 1.

783 Internal Audit Strategy 2025-28 and Internal Audit Quality Assurance & Improvement Programme

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report. He highlighted the new Global Internal Audit Standards, and the Application Note: Global Internal Audit Standards in the UK Public Sector, which required the Council to have an internal Audit strategy which aligned with the expectations of senior management and the Audit Committee. Previously there had been

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one strategy for the Internal Audit and Counter Fraud Service, it was however now necessary to have a stand-alone Internal Audit Strategy.

The strategy covers the period 2025-28 to align with proposed local government re-organisation. The Quality Assurance and Improvement Programme has been amended to support the strategy and is presented at appendix 2 for approval.

The following issues were discussed:

Performance indicators – in response to a question whether there were any changes in performance indicators, the Head of Internal Audit and Counter Fraud stated there had been some minor changes and additional indicators were proposed including staff turnover.

Local Government re-organisation – the potential impact of the proposed local government re-organisation on the strategy was discussed. The Head of Internal Audit and Counter Fraud explained that the team would need to consider the implications of the re-organisation for the 2027-28 period. The Chief Operating Officer added that the Council continued its improvement journey. Members commented positively on the quality of the Internal Audit and Counter Fraud service in Medway.

Annual survey responses – the Committee discussed ways in which the response rate to internal audit annual survey could be improved. The committee expected that senior managers and members would respond to the surveys and methods such as making the survey mandatory were considered. The Chief Operating Officer undertook to consider this with Corporate Management Teams colleagues. The Head of Internal Audit stated that he was working with Business Intelligence to see if the survey could be improved and also considering the timing of its release.

Decision

- a) The Committee approved the Internal Audit Strategy 2025-28 presented at Appendix 1.
- b) The Committee approved the Internal Audit Quality Assurance & Improvement Programme (QAIP) presented at Appendix 2.

784 Internal Audit Plan (Q1-Q2) 2025-26

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report, the plan had been developed following discussions regarding future risks with divisional teams, service managers and having taken account of the Council's risk register.

The following issues were discussed:

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Priority of assurance work – it was asked whether the planned work would be undertaken in the order provided (page 175 of the agenda pack refers). The Head of Internal Audit and Counter Fraud explained that the reviews were not listed in order, discussions would take place with service managers to avoid periods of heavy workload to avoid placing undue stress on services.

Insurance – in response to a question whether the audit of the insurance services would include pricing the Chief Operating Officer confirmed the audit would seek to provide assurance that the Council received value for money, he added that a new insurance manager had recently joined the Council, and she was reviewing the Council's position.

Cyber Security – Members asked whether some assurance work regarding cyber security could be considered for future work, in relation to procurement. The Chief Operating Officer undertook to consider this as a potential future work stream and the Head of Internal Audit & Counter Fraud stated that this would be as part of the Q3-Q4 planning.

Sickness absence – Members discussed the levels of sickness absence and the cost to the Council. It was asked whether the team could consider future work to provide assurance that policies and processes were being followed. The Head of Internal Audit & Counter Fraud advised that sickness absence management was one of the areas within the planning risk assessment and could potentially be looked at in the future.

Decision

The Committee approved the Internal Audit Plan (Q1-Q2) 2025-26 presented at Appendix 1.

785 Counter Fraud Update 1 December 2024 to 31 January 2025

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report which provided the third update of the year on the work of the Counter Fraud team. The team had completed proactive work with enforcement officers in relation to the misuse of Blue Badges. Enforcement Officers have hand held devices which enabled them to check the validity of the badge, this resulted in five expired badges being recovered and six penalty charge notice's being issued.

The team had completed five investigations during the period resulting in savings of £24,148 for that period and a total for year of £423,249

The following issues were discussed:

Council Tax investigations – A Member commented on the relatively low number of investigations concluded relating to Council Tax. The head of Internal Audit and Counter Fraud explained that those investigations covered

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the reporting period only, which included Christmas and some staff turnover. He added that a successful recruitment campaign had been undertaken, and the team were now back up to full complement.

Misuse of Blue Badges – The Committee thanked the team for their work in relation to the misuse of Blue Badges. It was asked whether the Council would consider prosecuting offenders and suggested that the Council promote this to act as a deterrent to others. The Head of Internal Audit and Counter Fraud stated that prosecuting those that misuse blue badges was under consideration although a policy would need to be developed. He added that further proactive work would be undertaken in this area and publicity regarding the results of the work was also under consideration.

It was asked whether a similar scheme could be considered for residential permits, the Head of Counter Fraud and Internal Audit undertook to consider this for the future.

Decision

The Committee noted the outputs and performance of the Counter Fraud Team for Medway for the period 1 December 2024 to 31 January 2025 as detailed at Appendix 1.

786 Counter Fraud Plan 2025-26

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report. He explained that the Plan would not include specific service information due to the sensitive nature of the work and the proactive work the team undertook. The plan included measures of team success and measures of continuous improvement to support the strategic development of the team.

The following issues were discussed:

Fraud prevention work – further information was requested regarding the effectiveness of prevention and promoting the service. The Head of Internal Audit and Counter Fraud acknowledged it was difficult to measure the success of fraud prevention measures and could incur a significant cost to investigate.

He added that the Council had developed a new manager training programme which included audit and fraud awareness. Training was offered to promote fraud awareness and digital training that could be offered more widely was under consideration

Savings – in response to a question regarding savings, the Head of Internal Audit and Counter Fraud confirmed that the £423,249 savings for the year to date represented savings for just Medway.

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Decision

The Committee approved the Counter Fraud Plan 2025-26 presented at Appendix 1.

Chairperson

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