

Medway Council
Meeting of Audit Committee
Thursday, 31 July 2025
6.37pm to 8.30pm

Record of the meeting

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

Present: Councillors: Browne (Chairperson), Bowen, Lawrence and Chandra (Co-Optee)

Substitutes: Councillors: McDonald (Substitute for Nestorov)
Perfect (Substitute for Hackwell BEM)

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
Phil Watts, Chief Operating Officer

172 Apologies for absence

Apologies for absence were received from Councillors Hackwell and Nestorov.

173 Record of meeting

The record of the meeting held on 20 March 2025 was agreed and signed by the Chairperson as correct.

174 Urgent matters by reason of special circumstances

There were none.

175 Chairperson's Announcement

The Independent Member offered congratulations to Councillor Hackwell on behalf of the Committee on the award of a British Empire Medal (BEM) in the King's Birthday Honours.

The Independent Member also congratulated The Head of Internal Audit and Counter Fraud and the Counter Fraud Team for being shortlisted for the Institute of Revenues, Rating and Valuation (IRRV) Award 2025- Protecting the Public Purse.

176 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.

177 Treasury Management Outturn Annual Report

Discussion:

The Head of Corporate Accounts introduced the report; he highlighted that borrowing exceeded the Capital Financing Requirement (CFR) at the end of the year. This was due to a government grant due for 2024/25 which was not received in year and resulted in additional borrowing by the Council.

He added the Council continued to borrow in the short-term following the recommendation of treasury advisors, however the Council would look at opportunities to balance the debt maturity profile as and when interest rates fall.

Investment performance was in line with expectations; the Council strategy remained to favour limited risk to minimise borrowing. The value of property fund investments grew in the year and the Council received a £770,000 dividend from those investments which was credited to the revenue account.

Almost all the monies expected from the closure of the Lothbury Fund had now been received, with £440,000 outstanding. This would be received in due course as the assets of the fund were sold.

The following issues were discussed:

Capital Financing Requirement – in response to a question whether the delay in receiving the grant from central government had caused the Council to accrue costs, the Head of Corporate Accounts stated that the Council had accrued costs however, was unlikely to receive any monies in recompense if they approached government and the grant was expected to be received imminently.

Interest Rates – it was asked if interest rates had remained higher for longer than previous expectations, the Head of Corporate Accounts stated that the financing outturn budget was close to projections.

Minimum Revenue Provision (MRP) – a Member noted the rise and borrowing during the financial year, including exceptional financial support and the capital programme in the current year in light of the current the level of interest rates and commented this would affect the MRP. The Chief Operating Officer stated that the Council was required to make a provision for all borrowing save the performing loans to the Medway Development Company and the increased level of borrowing was reflected in the increased financing costs in the revenue budget.

Decision:

The Committee noted the report.

178 Treasury Management Report 2025/26: Quarter 1

Discussion:

The Head of Corporate Accounts introduced the report, he highlighted that treasury advice was that interest rates would be cut this year and it was anticipated reach a floor in December 2026. The Council therefore continued to prioritise short term loans, however, debt had reduced by nearly £100m in the quarter.

Investment performance continued to be in line with expectations and the Council's low risk strategy, there had been a small increase in the value of property funds during the quarter.

The following issues were discussed:

Reduction in debt – it was asked why the debt level had reduced so significantly during the quarter. The Head of Corporate Accounts explained that stronger cash flow through government grants meant that the Council had less need to borrow to replace maturing loans. This was expected and debt levels might rise in the following quarter if funds were required for capital expenditure and lending to Medway Development Company (MDC).

Asset disposal – further information was requested in relation to the progress of the disposal of assets. The Chief Operating Officer informed the Committee that a number of assets had been auctioned and had sold above the reserve price. The income raised had not been huge, but results had been positive.

Medway Development Company (MDC) – the Committee discussed loans to MDC, the Chief Operating Officer explained that the original purpose of loans to the company was for the development of units for sale. The strategy had changed due to market conditions and more properties had been retained for private rental, however, the income from renting would still exceed the costs of servicing any loans, just over a longer term. Some properties would still be sold so that a significant proportion of the loans would be received by the Council over the next few years, however, this was dependent on market conditions so a date could not be predicted.

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It was asked what impact local government reform would have on the current arrangements, the Chief Operating Officer stated that both the assets and loans would be transferred to the successor authority. The Committee discussed the control had over MDC, the Chief Operating Officer explained that MDC was its own entity, however, the Council was the only shareholder, so could appoint Non-Executive Directors and agreed the Business Plan.

Decision:

The Committee noted the report.

179 Internal Audit & Counter Fraud Surveys 2025

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report, which outlined the results of the Internal Audit and Counter Fraud Surveys.

The Internal Audit Survey was distributed to senior officers, service managers and above and Members. Service managers were also encouraged to forward to operational managers who had interacted with Internal Audit. The Head of Internal Audit and Counter Fraud reported that there had been a marked increase in responses received which was positive.

There was a small decrease in respondents who reported a good understanding of the role of Internal Audit, analysis suggested this was linked to greater responses from operational managers. There were also a number of requests for additional training opportunities for staff. Additional training sessions had already been planned as part of the Complete Medway Manager training programme.

Responses remained consistent with previous years, with satisfaction of the service just under target. Two comments were received that the service may lack the necessary resources, this is likely driven by the resourcing issues experienced by the team in 2024-25 which were now resolved.

The Counter Fraud Survey also had an increased response rate, there remained a large number of staff who were not aware of the Counter Fraud and Corruption Strategy. The strategy was being updated and would be distributed to all staff via meta compliance.

Awareness of the service was positive and included a marked increase in staff knowing how to report concerns. The report identified a request for training from a number of respondents which stated their team would benefit from training and those were being followed up. It was disappointing however, that training sessions were available during the year but had been cancelled due to lack of attendance.

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As with Internal Audit, a number of respondents stated that Counter Fraud did not have enough resources and some comments suggested the profile of the team could be raised. The Head of Internal Audit and Counter Fraud stated that the team did publicise successful outcomes and would consider how to promote this further, however, the team was not always made aware of the outcome of cases which were referred to the Department for Work and Pensions (DWP).

The following issues were discussed:

Responses to the surveys – the increase in responses was welcomed by the Committee, it was asked whether a prize draw or some other reward for completing the surveys had been considered to maintain progress. The Head of Internal Audit and Counter Fraud stated that this had been considered but not followed up on this occasion, it could be considered for the future. He added that several reminders had been sent to complete the survey. But it was undertaken at a very busy time for the Council and it may be a case of staff prioritising their workload.

Use of resources – a Member commented that the survey was resource intensive and asked whether other methods of ascertaining opinion may be more useful in the future. The Head of Internal Audit and Counter Fraud stated that the surveys formed part of the drive for continuous improvement and post audit surveys were also undertaken for that purpose. The Chief Operating Officer agreed that different ways of completing the surveys would be considered for future years.

The Committee discussed the scope of surveys which staff are requested to complete such as the staff survey and whether the audit and counter fraud surveys could be included within that. The Chief Operating Officer stated that the Council wanted to keep the staff survey similar from year to year to provide comparative data whilst not making the survey too long which would be off putting for staff. He would consider greater use of short surveys known as Pulse surveys.

Counter Fraud training – the Committee discussed counter fraud training. The team would not have the capacity to train all staff but digital training was something under consideration and this could be made mandatory. The Chief Operating Officer stated that this type of approach was taken with other issues such as GDPR in bite size pieces.

Decision:

The Committee noted the results of the Internal Audit & Counter Fraud satisfaction surveys and the actions detailed in appendix 3.

180 National Fraud Initiative Exercise - Annual Update

Discussion:

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The Head of Internal Audit and Counter Fraud introduced the report. He stated that significant progress had been made, the 2023-24 exercise had been completed and work related to the 2024-25 exercise was underway. The 2023-24 exercise resulted in additional council tax revenue of £74,000 and an additional liability for future years of £49,000.

This year, data matches identifying potential fraud or irregular activity were passed to the relevant services for review with the exception of council tax queries which remained with the team. Counter Fraud monitored the work of the services and was available to provide assistance and support. Any suspected fraud was referred back to the team for investigation.

Whilst a significant number of council tax records have been reviewed a further 3,000 records had subsequently been received from HMRC and the Head of Internal Audit and Counter Fraud would consider whether to check these additional matches as it would require a significant resource and in previous years had yielded limited results.

The following issues were discussed:

Technology opportunities – in response to a question whether there were opportunities to use more technology in the process and reduce the burden on staff, the Head of Internal Audit and Counter Fraud stated that there was limited scope for increased technology as potential discrepancies required investigation by officers.

He added that the Cabinet Office co-ordinated the exercise and gave potential matches a priority rating with a target of all high priority cases by September. The Council might not meet this target, but the current exercise was the first year when cases had been reviewed by services, so some delay was inevitable.

Blue Badges – a Member noted the figures of fraud related to the blue badge scheme and commented that the proposed temporary parking scheme discussed at a recent Full Council meeting would increase the risk of fraud. The Head of Internal Audit and Counter Fraud stated the service would need to assess the potential financial risk to the council, however, some of the cases of blue badges did not represent fraud and enforcement continued to find around 25% of potential cases were the result of fraud/misuse.

Data harmonisation – it was asked whether the Council could consider ways it could more effectively use the data it holds to assist the exercise and improve services. The Chief Operating Officer stated that the Medway 2.0 project would rationalise data to provide a single view of the customer, but the central government also had an important role to play.

Decision:

The Committee noted the report.

181 Conformance with the Global Internal Audit Standards

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report. He outlined that the Council conformed to 46 of the 52 standards, partially conformed to five standards and did not conform with one standard.

The Head of Internal Audit and Counter Fraud added that an action plan had been created to address gaps in the service with good progress made and actions two, three, six and seven had already been completed and action nine was to be considered as part of the agenda to this meeting.

The following issues were discussed:

Self-Assessment Review – in response to a question whether the self-assessment was independently reviewed, the Head of Internal Audit and Counter Fraud explained that the self-assessment would form part of the External Quality Assessment (EQA). The last EQA was undertaken in 2023, and the result was a green opinion which gave assurance to the self-assessment undertaken by the Council.

It was asked what difference the standards had made, the Head of Internal Audit and Counter Fraud stated that the new standards had simplified the requirements with a fewer number of standards.

Decision:

The Committee noted the outcomes of the self-assessment against the Global Internal Audit Standards and the proposed action plan.

182 Audit Committee - Review of Terms of Reference

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report, he highlighted that there was one proposed amendment. Audits which received a red opinion would be individually presented to the Audit Committee to enable formal consideration of significant risks to the Council. This change would enhance conformity with the new Global Internal Audit Standards.

The following issues were discussed:

A Member welcomed the change and commented that further contact with Members who regularly acted as substitutes to the Committee would be helpful, the Democratic Services Officer agreed that this could be considered.

Decision:

The Committee approved the suggested changes to Terms of Reference as set out in appendix 2 to the report and recommended the changes to Full Council for adoption.

183 Exclusion of the press and public

Decision:

The Committee decide to excluded the press and public during consideration of the following agenda item because consideration of this matter (Local Public Audit Reform Update) in public would disclose information falling within one or more of the descriptions of exempt information contained in Schedule 12A to the Local Government Act 1972, and, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

184 Local Public Audit Reform Update

Discussion:

The following issues were discussed:

Members welcomed the update to audit reform, a Member commented that he felt the appendices did not require being excluded from the press and public, the Chairperson stated that she believed the exemption was necessary to due commercial issues. The Democratic Services Officer added that whether the papers required exclusion of the press and public had been considered by officers in legal services.

Audit and Local Government Reform – Members discussed the importance of returning to completed audits prior to the completion of Local Government Reform. The Director, Public Sector Audit, Grant Thornton stated that the company had provided a response to the consultation and public audit was a priority for them. He added that returning to assurance and undertaking local government reform at the same time would be very challenging. It was agreed that it was important for the Council to achieve a full audit prior to local government reform.

Capacity – in response to a question whether Medway had capacity to return to full audits prior to local government reform, the Chief Operating Officer stated that he was confident that Medway had the capacity to undertake the necessary work to complete the audit work required. However, the Council did not have the resources to undertake the work required to regain assurance of the opening balance for 2024-2025, so that assurance would be regained over a period.

In response to a question how many other local authorities were in a similar position the Director, Public Sector Audit, Grant Thornton stated over 40% of authorities had a disclaimed opinion in 2023-2024. He added that how to regain

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assurance was an issue for the sector and local government reform would provide a focus to ensuring that this took place.

Note: The Committee returned to open session, following the debate outlined above, to make its decision in public.

Decision:

- a) The Committee noted the update on local audit reforms.
- b) The Committee noted and agreed that all parties remain committed to achieving an unqualified audit for the 26/27 financial year.

Chairperson

Date:

Steve Dickens, Democratic Services Officer

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