

Medway Council
Meeting of Audit Committee
Thursday, 11 September 2025
6.30pm to 8.47pm

Record of the meeting

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

Present: Councillors: Browne (Chairperson), Nestorov (Vice-Chairperson), Bowen, Hackwell BEM, Lawrence and Chandra (Co-Optee)

In Attendance: Matt Dean, Director, Grant Thornton
Steve Dickens, Democratic Services Officer
Bhupinder Gill, Assistant Director, Legal and Governance
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

291 Apologies for absence

There were none.

292 Record of meeting

The record of the meeting held on 31 July 2025 was agreed and signed by the Chairperson as correct.

293 Urgent matters by reason of special circumstances

There were none.

294 Disclosable Pecuniary Interests and Other Significant Interests

Disclosable pecuniary interests

There were none.

Other significant interests (OSIs)

There were none.

Other interests

Councillor Hackwell disclosed that he was a trustee of a charity which leased a building from Medway Council.

295 Speak Up, Anti-Bribery and Anti-Money Laundering and RIPA Policies: Report on Instances September 2024 - August 2025

Discussion:

The Assistant Director, Legal and Governance introduced the report. He highlighted there had been no instances of concerns raised under the Speak Up, Anti-Bribery and Anti Money Laundering, or RIPA policies during the reporting period.

He added that a senior leadership group of himself as Monitoring Officer, the Chief Operating Officer, Chief Organisational Culture Officer and Head of Internal Audit and Counter Fraud met on a monthly basis to triage potential concerns in relation to the Speak Up policy and request investigations under the relevant policy.

The following issues were discussed:

Speak Up concerns raised - The Committee discussed the lack of concerns raised under the Speak Up Policy; it was asked whether the policy was accessible enough to staff. The Assistant Director, Legal and Governance stated that it was difficult to answer why concerns had not been raised under the policy however, in 2022/23 there were eight concerns raised, so there was some variation in instances over the recent period.

Any complaint was triaged by the leadership group, and it may be investigated under a number of different policies such as Speak Up or grievance procedures. Officers did not want to exclude complaints or otherwise rule them out, rather they sought to find the right route for the complaint to be investigated.

The Independent Member asked whether staff were aware of the policy, the Assistant Director Legal and Governance stated that 55.5% of staff completed the recent staff survey and the number of respondents that were not aware of the policy was relatively small. He added that he believed the policy was easy enough to find on the Council's intranet even if staff did not know where the policy was, so staff were aware of the policy.

The Chief Operating Officer added that as part of Medway 2.0, consideration was being given to adding a chatbot to the intranet which would provide assistance to staff in finding information quickly and easily.

The Assistant Director, Legal and Governance informed the Committee that the numbers of grievance allegations and employee tribunals were also small which may provide additional reassurance to the Committee. As part of Annual Governance in the future, it was proposed that managers be required to confirm what policies and procedures they have shared with their team which would provide additional reassurance that staff were aware where they could report concerns.

Benchmarking data – it was requested that further information be provided to benchmark data against comparable unitary and other authorities in the region. The Assistant Director, Legal and Governance stated that companies deal with issues differently so direct comparisons were difficult to make.

Decision:

The Committee noted the contents of this report.

296 Annual Governance Statement 2024/25

Discussion:

The Assistant Director, Legal and Governance introduced the report. There had been a slight change in the production of the Annual Governance Statement for the year, in addition to the governance framework, the statement took account of two other frameworks, The CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management Code 2019 and SOLACE (Society for Local Authority Chief Executives) Improvement and Assurance code 2024. The codes had some differences, but the issues were covered within the one statement.

An addendum for the Annual Governance statement had been made to come into effect from next year, however, where possible reference had been included in this year's statement.

The statement included the opinion of the Head of Internal Audit and Counter Fraud, he was this year only able to provide limited assurance to the Committee. This did not relate to any particular concerns, rather resource issues had reduced the volume of fieldwork the service had been able to undertake to provide full assurance in the view of the Head of Internal Audit and Counter Fraud.

The following issues were discussed:

Addendum to the Statement requirements – the Chairperson commented that she had recently attended a presentation on the future changes to the Annual Governance Statement and Medway was significantly ahead of many other authorities in implementing those changes in the current year.

Finance – it was asked whether the Council could assert it had met Principle F (Managing risks and performance through robust internal control and strong public financial management) fully when it ran a deficit which required Exceptional Financial Support (EFS). The Assistant Director, Legal and Governance stated that in the opinion of officers, the Council was financially safeguarded. The legal requirement for the authority was to pass a balanced budget.

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The Chief Operating Officer added that whilst EFS provided a way forward for the Council, it should not be relied upon indefinitely and a plan was required to exit the additional support as soon as possible. This was the stated aim of Cabinet and reflected in the Medium Term Financial Outlook. The current aspiration for the Council was to set a balanced budget for 2026-27 without recourse to EFS. This was a challenging goal but significant progress had recently been made in progressing the budget for next year.

The Independent Member asked the Head of Internal Audit and Counter Fraud why the assurance he provided was limited given the high rate of 88% of recommended actions implemented. The Head of Internal Audit and Counter Fraud Service stated that whilst implementation of actions was positive, it was not the only measure which was considered and the limited number of reviews completed had been a factor.

Decision:

- a) The Committee approved the Annual Governance Statement
- b) The Committee agreed to delegate authority to Assistant Director of Legal and Governance, in consultation with the Chairperson of the Audit Committee, to make minor changes to the documents prior to signing by the Leader of the Council.

297 Delivering Good Governance In Local Government Framework

Discussion:

The Assistant Director, Legal and Governance introduced the report, he stated that an addendum to the existing governance framework had been introduced for inclusion in the Annual Governance Statement from next year. The changes which would require local authorities to consider future risks as part of the AGS. Where possible the Council had already incorporated the changes for the Annual Governance Statement this year.

The Assistant Director, Legal and Governance added that the local code of governance would be reviewed, and proposals brought forward to a future meeting of the Audit Committee.

The following issues were discussed:

Councillor Code of Conduct - the Assistant Director, Legal and Governance was asked for his views whether the Councillor Code of Conduct also required revision as part of the legal and governance framework. The Assistant Director stated that he wanted to further strengthen the Code of Conduct, however, the government had undertaken consultation on the current code with a view to bringing forward legislation. The Council had taken part in the consultation and had provided a preference for authorities to be given stronger powers of sanction. The Assistant Director, Legal and Governance added that he was hopeful legislation would be brought forward soon, and in those circumstances,

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it would be prudent to review the Council's own Code of Conduct following any such legislation.

Decision:

- a) The Committee noted the addendum to the framework.
- b) The Committee requested the Assistant Director, Legal and Governance to review the existing processes and revise where necessary, for production of the Annual Governance Statement.
- c) The Committee requested the Assistant Director for Legal and Governance review the Local Code of Governance and recommend revisions.

298 Updated Audit Plan For the Year Ending 31 March 2025

Discussion:

The Head of Corporate Accounts introduced the report which provided an update on the progress of the external audit for 2024-25 and plans to complete the audit within the statutory deadline.

The following issues were discussed:

Progress of the audit – further information was requested regarding delay in the progress of the audit and how it was proposed to complete the audit by the statutory deadline. The Head of Corporate Accounts explained the delay was partly caused as a consequence of the disclaimer opinion received in the previous year's audit which meant auditors needed larger samples of transactions to regain assurance. This has been time consuming, not only for finance, but also teams across the Council. Secondly the audit had revealed that further, more detailed information was required in some areas and finance was working with teams within the Council and external partners to provide the necessary information.

The Head of Corporate Accounts acknowledged that some learning was required for the Council in ensuring that the auditors had access to the detailed information that was required. However, he was pleased with the progress that had been made in the last two weeks. To address the current delay the outstanding items at the end of September would be left with the Council to continue to work on and evidence would be provided to auditors in early January to complete their investigations.

The Head of Corporate Accounts added that the Council would receive a disclaimer opinion for 2024/25 because it could not gain assurance over the opening balance. He remained confident that auditors would be able to gain the necessary assurance in relation to transactions that had taken place during the 2024/25 financial year.

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The Chief Operating Officer stated that available resources had been affected by staff absence, and the finance function was already lean and had no spare capacity. The Council needed to be better prepared for future audits with the evidence to support transactions being collated more diligently as part of the process of closing the accounts.

Valuation – further information was requested in relation to valuations, the Audit Manager, Grant Thornton stated that Grant Thornton had valuers who would discuss assessments made with counterparts at Council and review the authority's valuations.

Fees – in response to a question regarding the additional fees to be paid by the Council, the Head of Corporate Accounts stated that the exact level of those fees were not known but were not expected to be significant.

LATCO (Local Authority Treading Company) audits – in response to a question why the LATCOs had different auditors to the Council, the Chief Operating Officer stated that the companies had taken a different view to the Council as to which auditor they had chosen to contract. The Head of Corporate Accounts added that there had been some concern with the accounts of one of the LATCOs in previous years, but the Council was now satisfied that the group accounts were of a good standard.

The Director, Grant Thornton, stated that it was not unusual for subsidiaries to have different auditors and the Council may receive better value for money and a better service from a smaller firm to undertake the accounts than Grant Thornton which was focused on larger projects.

National audit picture – it was asked if there was any update on progress to return to assurance nationally, the Director, Grant Thornton stated that there was a broad agreement that a risk based approach would be undertaken in regaining assurance in the sector, for example, there was limited risk regarding the value of schools so that area could be streamlined. Grant Thornton's technical team were involved in those discussions at a national level.

The Committee discussed whether the larger sampling size gave a positive foundation to regain assurance for the future. The Director, Grant Thornton stated that the work for the 2024-25 should be completed on time in February 2026, then discussions for the next year could be undertaken.

Decision:

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

299 Internal Audit Annual Report

Discussion:

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The Head of Internal Audit and Counter Fraud introduced the report which provided updated the Committee of the work undertaken by the team in the year and the assessment of the Council's control environment. A significant level of resources had been lost during the year to staffing issues. As a result, the Head of Internal Audit and Counter Fraud could provide only limited assurance for the Annual Opinion. As had been discussed elsewhere, there were no specific concerns, rather the loss of resource had limited the amount of available fieldwork to enable the Head of Internal Audit and Counter Fraud to give full assurance.

Due to those staffing issues, a 63% outturn against the proposed work programme had been completed. The Head of Internal Audit and Counter Fraud acknowledged that this was a disappointing result against the target of target 95%. Four audits had received a red opinion, these were Corporate Health and Safety, Adults Social Care Debt Recovery, Private Housing Enforcement and an audit in relation to a local maintained school. Where internal audit reviews had identified weaknesses, they had been accepted by management and actions have been recommended to remedy issues and 88% of actions had been implemented which was positive.

The following issues were discussed:

Risk Register – concern was raised about the fact that reviews had identified that service risk registers were missing. The Chief Operating Officer acknowledged that risk registers required improvement. A risk management group had recently been established to ensure that projects had proper risk assessments, those risks were escalated appropriately.

Staffing – further information was requested regarding the causes of resource issues and the current job market for internal auditors, the Head of Internal Audit and Counter Fraud explained that one auditor left during the year, there was also some staff sickness and two retirements. The team had successfully recruited and was now at full complement. The recruitment market remained challenging, and the Council had appointed trainee auditors.

Decision:

- a) The Committee noted the work undertaken by the Internal Audit team for Medway during 2024-25.
- b) The Committee supported the opinion on the Council's internal control environment provided by the Head of Internal Audit & Counter Fraud Shared Service, as set out in Section 4 of Appendix 1, that only limited assurance can be provided that Medway Council's framework of governance, risk management, and system of internal control, contributed to the proper, economic, efficient, and effective use of resources in achieving the Council's objectives.

300 Internal Audit Update Report

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Discussion:

The Head of Internal Audit and Counter Fraud introduced the report which provided the first update on the work of the team for the year. A retirement in the team had resulted in a loss of resource to the team for a short period. A successful recruitment campaign had been undertaken, and the team was now back to full compliment. 15% of the work programme had been delivered with another 19% of audits underway which reflected a positive level of progress at this stage compared with the last two years.

The Head of Internal Audit and Counter Fraud stated that the report included actions from previous audits which had not been completed six months after proposed implementation date and outlined actions which had been outstanding for the longest.

The following issues were discussed:

Outstanding actions - concern was expressed that a high priority action following the audit review regarding the Tree Service in 2022, had not been implemented. The Head of Internal Audit and Counter Fraud confirmed that the team had not received an update since March. He added that the other oldest actions which had not been implemented were either low priority or progress had been reported. One was also complete but evidence was awaited to close the action.

The Committee discussed and it was agreed that if significant progress had not been made by January, the Director should be asked to attend the January meeting to explain the delay.

Decision:

- a) The Committee noted the outputs and performance against the Internal Audit Plan Q1-Q2 for the period 1 April to 31 July 2025 as detailed at Appendix 1.
- b) The Committee agreed the revisions to the Internal Audit Plan Q1-Q2 2025-26, as detailed in section 8 of appendix 1.
- c) The Committee agreed that should significant progress not be made on the following Internal Audit review action, details of which will be reported back to the Audit Committee on 27 January 2026, as part of the Internal Update report, the Director of Place will be requested to attend the Audit Committee on 27 January 2026 to provide an update on progress:
“The Tree Policy should be updated to include the council’s commitment to tackling climate change, recognising Norse as the council’s contractor and any other relevant changes”

301 Internal Audit Plan (Q3-Q4) 2025-26

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report. He highlighted that there had been a loss of 45 days from the originally projected resources due to a retirement. However, the number of planned reviews had been unaffected, with other work being adjusted to compensate for the loss of resources.

Decision:

The Committee approved the Internal Audit Plan (Q3-Q4) 2025-26 presented at Appendix 1.

302 Counter Fraud Annual Report 2024-25

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report, which updated the Committee on work undertaken by the team during 2024-2025. There had been a significant loss of resource during the year with one member of leaving the service and another being seconded to the Internal Audit team. A successful recruitment had now taken place, and the team was back up to full complement, however, this had affected performance during the year.

The team had undertaken a significant number of investigations during the year and also completed proactive work in a number of areas. The team were able to prevent of a sale of a Council house with fraudulent information, the cancellation of a temporary accommodation and the offer of a school place withdrawn. The team had achieved positive results in relation to key performance indicators.

The following issues were discussed:

Training – Members noted it was disappointing that training had not been taken up by Council staff. The Head of Internal Audit and Counter Fraud agreed that online training, which could be made compulsory for staff was under consideration for the future. In addition to the general training sessions, bespoke training was also offered to teams where fraud was identified as a risk factor.

Areas at high risk – in response to a question what action the Council was proposing in relation to areas at high risk of fraud such as false homelessness and misuse of social care payments, the Head of Internal Audit and Counter Fraud stated that specific work was planned with team in those areas which would increase understanding and may produce additional referrals. He added that the Council was taking part in a pilot with a number of other authorities in the region to review fraudulent applications for Housing, including applications to more than one authority.

Cyberfraud – it was asked whether the Council planned any activity in relation to artificial intelligence (AI). The Head of Internal Audit and Counter Fraud stated that AI related fraud was relatively new, however, it was growing quickly.

At this time the Council had limited access to the technology to respond but was looking at how AI could be used to support counter fraud activity.

Other work - in response to a question whether there remained a demand for other work on the team, the Head of Internal Audit and Counter Fraud stated that the team continued to undertake investigations regarding grievance complaints. This differed from other complaints under other policies, for example, unethical behaviour was required for a complaint to be investigated under the Speak Up policy. Where this was not the case, investigations may be made under the grievance or disciplinary procedures.

Decision:

The Committee noted the work undertaken by the Counter Fraud team for Medway during 2024-25 in providing an effective service to the Council.

303 Counter Fraud Update Report

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report. Which outlined progress made by the team from 1 April until 31 July. He stated that although training session had been made available, take up remained poor. Training would be held quarterly, and online training was being explored to provide better value for money.

24 investigations had been concluded during the period, which resulted in savings of £30,689. There had also been a successful prosecution of the employee of a contractor, with the monies lost returned to the Council.

Decision:

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

304 Counter Fraud & Corruption Strategy 2025

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report and highlighted the changes in the proposed strategy. Many of the changes were to the appearance of the strategy to make it more accessible to Council staff. The strategy was shorter and clearer to encourage more staff to read the document. There was one substantive change, recent national legislation had created a new offence of failure to prevent fraud, which was included in the new strategy. He added that the strategy had been informed by best practice in other authorities.

Members welcomed the new strategy.

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Decision:

The Committee considered the Counter Fraud & Corruption Strategy document presented at Appendix 1 and recommended approval by Full Council.

Chairperson

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