

Audit Committee Chairperson's Annual Report 2024-25

- **Foreword**

I am pleased to present the Annual Report of the Audit Committee which outlines the work of the Committee for 2024-25. This is the second Chairperson's Annual Report of the Audit Committee.

The Governance and Audit Committee is a key part in the Council's governance framework providing oversight on the effectiveness of the Council's governance, risk, financial management, and internal control arrangements. The Committee has received regular reports from services in relation these issues. In particular the committee has considered a number of reports regarding Internal Audit and Counter Fraud, monitoring of Treasury Management and external audit. The results of these reports are highlighted below.

The Audit Committee continues to operate in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA). During the year the Committee was pleased to appoint an Independent Member to the Committee for the first time.

I would like to thank officers who have supported the work of this Committee, Members and the Independent Member for their contributions and willingness to operate in an apolitical manner to promote good governance. The Committee has undertaken a number of positive debates during the year and provided assurance of the Council's arrangements.

Councillor Hazel Browne
Chairperson Audit Committee

- **The Role of the Committee**

The role of Audit Committee is outlined in the Council's constitution 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.

Nationally the Chartered Institute of Public Finance and Accountancy (CIPFA)'s "Position Statement on Audit Committees in Local Authorities and Police" (April 2022) 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 2024 and can be found at appendix A of the Annual Report. This provides the Council with assurance that the Audit Committee remains well placed to fulfil its role. It was the view of the Committee that the terms of reference accurately reflected the work of the Committee, and no changes were required, on this occasion.

- **The Work of the Committee 2024/25**

Budget and Financial Control

The Committee monitored Treasury Management performance on a quarterly basis during the year, in particular the implementation of the Council's borrowing strategy and the performance of the Council's investment strategy. The Council continued to borrow in the short term in the current economic climate and would consider longer term investment when interest rates had fallen. The Committee welcomed the strong performance of the Council property funds.

The Committee reviewed proposals for the Treasury Management Strategy for 2025/26, the Committee were content that the strategy remained broadly similar to previous years and submitted comments to Cabinet and Council for approval.

Financial and Governance Reporting

The Annual Governance Statement was approved by the Audit Committee in September 2024; the Chief Audit Executive reported to the Committee that he had concerns regarding governance.

External Audit

The Committee scrutinised plans with regard to the external audit for 2023-24 year and plans to undertake the external audit for year 2024-25. Nationally significant delays remain in place in relation to external audit. The Government, following consultation, implemented a back stop to enable local authorities to reduce backlog and catch up. This has meant that it was not possible to complete the necessary work in relation to providing assurance for an external audit and the 2021-22 and 2022-23 years received a disclaimer opinion audit which the Committee approved on 26 November 2024. Whilst this was disappointing it was clear to the Committee and the Council as a whole that the additional work required to complete the audit could not have been realistically completed within the given timescale. The Council is in a similar position to other local authorities across the country requiring approval of a disclaimer opinion. The Audit Committee has provided appropriate challenge to external auditors to find solutions that provide a maximum level of assurance possible given the national picture. It is hoped that the action undertaken by the Council will enable a reset of the position and external audits going forward can be

completed in a timely manner. However, there remains significant pressures on the audit system and fees.

Risk Management

The Committee reviewed the Risk Management strategy for 2025-26 in January 2025. The strategy remained consistent with only minor variations to the strategy proposed to provide clarification, this included a 5-year timescale for the likelihood assessment and further explanation of chronic and acute risks.

The Committee scrutinised how risks were escalated and included on the Council's Risk Register and were content with the current process. The Committee were happy with the minor changes proposed and submitted comments to Cabinet to that effect.

Internal Audit

The Committee reviewed and approved the Internal Audit Plans on a six-monthly basis and was pleased to receive regular updates on progress against the plans during the year.

The Committee scrutinised updates against the 2024-25 Internal Audit Workplan on three occasions, during the year. The available resource of the team had been significantly impacted by sickness and staff turnover during the year with approximately 24% of expected resource lost. This significantly impacted on the Internal Audit's team ability to deliver the original workplan, as a consequence the Committee reviewed and approved a number of changes to the workplace reflect the level of resource available. Changes to the Workplan were made to prioritise reviews of highest risk to the Council. As a consequence 63% of reviews were completed during the year and a further 16% of reviews were underway but not completed by 31 March 2025

Monitoring of actions agreed in audit reviews has continued and during the year 88% of actions were implemented (81 of 92). 11 actions remained outstanding none of which were more than six months overdue as of 31 March. The Committee continued to scrutinise actions which were more than six months overdue and had requested and receiving a briefing note from officers where the Committee had considered actions a risk to the Council.

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 2023-24.

As part of its role in overseeing arrangements for an effective Internal Audit function, 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 welcomed the work of the service during

the year, however, were disappointed at the low level of responses to the satisfaction survey, the Council are considering methods to improve responses in 2025-26.

In January 2024, the Global Institute of Internal Auditors published a set of new Global Internal Audit Standards (the Standards), which came into effect on 9 January 2025. Relevant Internal Audit Standard Setters (RIASS) issue specific material to reflect any variations required for their sector rather than an entirely separate set of standards, such as the previous Public Sector Internal Audit Standards (PSIAS).

An Application Note: Global Internal Audit Standards in the UK Public Sector (the Application Note) has been developed and CIPFA, as the RIASS for local government, have issued a Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) that, among other things, includes conditions, which, when applied in the local government internal audit context, will achieve the requirements of the Standards.

These additional public sector interpretations and requirements were applicable from 1 April 2025, and the Audit Team committed to undertake a self-assessment of conformance with the Standards, taking into consideration the Application Note, which would be considered by the Committee in 2025-26.

Counter Fraud

The Committee monitored the progress of the Counter Fraud Service against the Workplan during the year. The Committee scrutinised the performance of the team for 2024-25, received three updates during the year regarding the 2024-25 workplan and approved the 2025-26 workplan.

The Counter Fraud function helps to identify fraud and errors that could have an adverse effect on the financial statements of the Council and provides a deterrent against fraud. The Committee received the annual report for 2023-24, which outlined that the outturn costs for 2023/24 for Medway were £229,219 while the team identified savings of approx. £382,609. The Committee welcomed the results, representing excellent value for money.

The Committee also received a Fraud Risk Register during 2024/25 for the first time which outlined the outcomes of an independent assessment of the Council's fraud risks and a newly created fraud risk register for 2024-25.

Other Items

- Membership / Attendance

The Committee met on five occasions during 2024-25, 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. There were over 500 views of

Audit Committee meetings during the year which reflects the Council's commitment to transparency and accountability.

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 Head of Corporate Accounts.

- Recruitment of an Independent Member

During 2023-24 the Audit Committee and Council approved the recruitment of an Independent Member of the Committee to support the work of the Committee. In 2024-25 the Committee approved a job description and undertook a successful recruitment campaign which resulted in the appointment of Anumesh Chandra as Independent Member of the Audit Committee in a non-voting position for a four year term.

- Training

The Audit Committee remains committed to undertaking relevant training where possible to enable Members to have the skills and experience to ensure the necessary assurances are in place. The Committee has received an economic update in January 2025 and further events are planned for 2025-26. In addition the Chairperson attended Leadership Academy hosted by the LGA and this will be extended to the Vice Chairperson in the 2025-26.

- Reports Received

The Audit Committee received 36 reports in the municipal year, all of which were published within statutory timescales, one report was considered in private. All other reports were open to the public and can be read on the Medway Council website.

15 July 2024

Informing The Audit Risk Assessment 2023/24
Draft Audit Plan for the Year Ending 31 March 2024
Treasury Management Outturn Annual Report 2023-2024
Internal Audit and Counter Fraud Annual Surveys 2024
National Fraud Initiative Exercise - Annual Update
Audit Committee - Review of Terms of Reference
Chairperson's Annual Report 2023/24

September 2024

Annual Governance Statement 2023-24
Speak Up, Anti-Bribery, Anti-Money Laundering and Regulation of Investigatory Powers (RIPA) Policies: Report on Instances September 2023 - September 2024

Treasury Management Report 2024/25: Quarter 1
Internal Audit Annual Report 2023-24
Internal Audit Update 01 April to 31 August 2024
Internal Audit Plan (Q3-Q4) 2024-25
Counter Fraud Annual Report 2023-24
Counter Fraud Update 01 April to 31 August 2024
Audit Committee - Review of Terms of Reference

November 2024

Audit Findings Report 2021-22 and 2022-23
Treasury Management Strategy Mid-Year Review Report 2024/25
Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and Consultation on the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government
Appointment to the post of Independent Member for the Audit Committee
Chairperson's Annual Report 2023/24

January 2025

Audit Findings Report 2023-24 and Interim Auditor's Annual Report 2023-24
Risk Strategy Annual Review
Treasury Management Strategy 2025-26
Internal Audit Update 1 September to 30 November 2024
Counter Fraud Update 1 September to 30 November 2024
Fraud Risk Register 2024-25

March 2025

Audit Plan for the Year Ending 31 March 2025
Informing The Audit Risk Assessment 2024/25
Treasury Management Report Quarter 3
Internal Audit Update 1 December 2024 to 31 January 2025
Internal Audit Charter
Internal Audit Strategy 2025-28 and Internal Audit Quality Assurance & Improvement Programme
Internal Audit Plan (Q1-Q2) 2025-26
Counter Fraud Update 1 December 2024 to 31 January 2025
Counter Fraud Plan 2025-26

- Training

Treasury Management Briefing (Treasury advisors) January 2025