

Medway Council
Meeting of Audit Committee
Thursday, 30 October 2025
6.30pm to 7.35pm

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 and Lawrence

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

405 Apologies for absence

An apology for absence was received from the Independent Member Anumesh Chandra.

406 Record of meeting

The record of the meeting held on 11 September 2025 was agreed and signed by the Chairperson as correct.

407 Urgent matters by reason of special circumstances

There were none.

408 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.

409 Failure to Prevent Fraud

The Head of Internal Audit and Counter Fraud introduced the report. He explained The Economic Crime and Corporate Transparency Act (ECCT) 2023 introduced a new offence of failure to prevent fraud. The offence occurred where a large organisation benefits from the fraudulent activity of an employee or other associated person and the organisation had failed to put in place reasonable procedures to prevent fraud. The service had undertaken a self-assessment against Home Office guidance for the Council, the results of which were positive. Some actions had been identified which would strengthen counter fraud measures already in place.

The following issues were discussed:

(Local Authority Trading Companies) LATCOs – in response to a question whether the LATCOs were undertaking a similar review, the Head of Internal Audit and Counter Fraud stated that he had undertaken some work with the LATCOs and would meet directors as required. He was aware they were undertaking a governance assurance self-assessment which would be considered by the relevant Shareholder Boards. The LATCOs could request the Council to undertake the assessment against Home Office guidance, however, this would be chargeable.

Training – further information was requested in relation to awareness training for staff. The Head of Internal Audit and Counter Fraud stated that the Council was considering online training options which could be made mandatory through Meta Compliance. This format of training had been used by other services to provide to staff in other areas. The Service would also continue to offer tailored sessions for specific teams as necessary.

Resources – it was asked what resources had been required to undertake the self-assessment as the likelihood of an issue to the Council was low. The Head of Internal Audit and Counter Fraud explained that he could not provide a figure in terms of level of resource required, however, although the likelihood of the Council being the beneficiary of fraud was low the impact could be high with potential for unlimited fines. In addition, the self-assessment provided opportunities for the Council to strengthen its Counter Fraud measures, so it was a useful exercise.

A Member asked if the Council had the necessary resources to undertake proposed action 4: review contracts with third parties. The Head of Internal Audit and Counter Fraud stated that he did not know how many such contracts would require review, however, the Council would need to reassure itself that the third parties delivering services had appropriate anti-fraud measures in place.

It was asked if there was a cost associated with membership of the CIFAS Insider Threat Database as suggested in Action 8. The Head of Internal Audit and Counter Fraud acknowledged that there would be a cost incurred,

however, it was proposed to explore the benefits of membership, and no decision had been taken. Membership of the database would assist in identifying candidates who may have a record of poor conduct at recruitment stage which would reduce the Council's risk of exposure.

Review – in response to a question whether the self-assessment would require an annual review, the Head of Internal Audit and Counter Fraud stated that it would not need to be repeated unless the guidance changed.

Procurement – it was asked whether collaborative working with the Procurement Service would be helpful to enable the Council to review suppliers and traceability to provide additional reassurance, the Head of Internal Audit and Counter Fraud agreed and undertook to liaise with the Procurement service to consider potential benefits of further joint working.

Decision:

- a) The Committee noted the outcomes of the self-assessment and proposed actions.
- b) The Committee asked the Head of Internal Audit and Counter Fraud to liaise with the Procurement service to consider opportunities to provide additional reassurance for the Council in relation to anti-fraud policies for suppliers.

410 Updated Audit Progress Report 2024/2025

Discussion:

The Chief Operating Officer introduced the report, he highlighted that the Audit was 45% complete, and officers continued to work in preparation of Auditors resuming their work in January.

The Director, Grant Thornton highlighted the progress report at appendix one to the report, there was a statutory deadline to complete the audit by February 2026. However, the statutory deadline would move earlier in the year with the backstop for the 2025-26 audit in January 2027.

The following issues were discussed:

Progress – it was commented that there remained a number of outstanding audit items marked red, it was asked whether the auditors were content with progress. The Director, Grant Thornton stated that there had been progress made compared to this time last year and the remaining work was in his view achievable. In terms of the outstanding work some areas were of more concern than others, for example leases was a new standard, so it was important to be able to set a standard for that area. In other areas such as property, plant and equipment the authority could gain assurance in other ways.

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The Chief Operating Officer added that the Council acknowledged that it did not have all the evidence it needed and was working to obtain the evidence required. In terms of leases, this was a new standard, and the Chief Operating Officer acknowledged the Council did not have the necessary information in place and needed to improve. There had been some staffing issues in the finance department, and a review of department would be undertaken to strengthen resilience within the Corporate Finance section.

It was asked whether there was adequate communication between the Council and the auditors, the Public Sector Audit Senior Manager stated that the auditors were in regular contact with the finance team and senior officers, and updates were provided on a fortnightly basis.

Journal – concern was expressed regarding the number of staff which had access to post finance journals as stated in the progress report (page 40 refers). The Chief Operating Officer undertook to investigate and provide information to the Committee following the meeting.

Fees – in response to a question whether the additional work the auditors had undertaken would result in an increase in fees, the Chief Operating Officer stated that the government had provided a grant to facilitate additional work required to regain assurance, however, it was not clear whether this would be enough or additional funds would be required. The Director, Grant Thornton added that there was a balance between the work to be undertaken and cost implications and that would be considered as required. It was requested that the Committee be updated whether this would involve a streamlining of audit processes and the Chief Operating Officer undertook to update the Committee on any changes to works undertaken due to costs.

Lessons learned – in response to a question what lessons had been learned from this year's audit for the future, the Chief Operating Officer reflected on the need for the Council to have more data available regarding financial transactions as standard. In addition, as previously stated a review of the alignment of the service would be undertaken to increase resilience in the corporate finance team.

Sample size – the Committee discussed the sample size required to regain assurance, and it was noted that as reassurance was regained the required sample size would reduce.

Decision:

The Committee noted the updated Audit Progress Report including the proposed audit deliverables to be presented to a future meeting of this Committee.

411 Treasury Management Strategy Mid-Year Review Report 2025/26

Discussion:

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The Finance Business Partner introduced the report and provided an overview of Treasury activity for the year. Key indicators showed that borrowing remained below the capital finance requirement.

Interest Rates and gilts remained higher than expected, so the Council continued to pursue a short-term borrowing, with £221m remained owed in short term borrowing and £106m repayable this financial year. As interest rates fall, the Council would take opportunities to smooth the debt maturity.

Investment performance continued as expected, in terms of property investment, the Patrizia Hannover Property Unit Trust performance was being carefully monitored, and the Council would consider its options.

The following issues were discussed:

Risk – in response to a question whether higher than expected interest rates there was additional risk to Council investments, the Finance Business Partner - technical accounts stated that the Council received updates from treasury advisors on a daily basis, and would act on their advice.

Capital Programme – it was asked whether the higher cost of borrowing would trigger a review of the Capital programme. The Chief Operating Officer stated that he would discuss the programme with the administration when borrowing was required to fund the programme, however, there was no formal trigger which would necessitate a review. Treasury Advisors provided regular advice and had a clear understanding of the Council goals.

Interest and Finance Budget – further information was requested regarding the interest and finance budget position. The Chief Operating Officer stated that interest rates had not fallen as expected and as such an increase in costs and consequently pressure on the budget was likely to be reflected in quarter three monitoring reports.

It was asked if the authority could manage a debt repayment of £10m a month, the Business Finance Partner stated that a little over £10m repayment was being paid. The Chief Operating Officer explained that he had concerns about the level of short term debt being carried, however, it was a result of the economic environment and outside the control of the authority.

Capital Receipts – it was asked whether the Council was meeting expectations in disposal of assets to realise capital receipts. The Chief Operating Officer stated the Council expected to achieve £7m of Capital receipts in 2025 and £25m in 2026 which would represent a good performance. The disposal of property was based on whether the asset was, or could delivering value to the Council. Properties which did not deliver value would be subject to disposal.

A Member expressed concern at the level of borrowing, the Chief Operating Officer stated that unlike some other authorities, borrowing had been to fund a number of significant projects and was held against a number of assets. In

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addition, projects such as purchasing homes for Temporary Accommodation would ease pressure on ongoing revenue budgets and some investments such as Cozenton Park were performing better than expected.

The Chief Operating Officer acknowledged an ongoing concern regarding the level of working capital available with more monies owed to the Council by third parties than expected.

Patrizia Hannover Property Unit Trust Investment – further information was requested regarding the Patrizia Hannover Property Unit Trust Investment, the Chief Operating officer stated that the fund was a victim of its success, having made a significant profit, a number of investors had sought to realise the profit, and this had caused a run on the investment. If the Council removed its investment now it would still, make a profit of around £300,000 and it had received dividends over the last four years.

Banking – a Member commented that there was some concern in the banking industry regarding future economic performance and asked whether the Council had any exposure to risk. The Chief Operating Officer stated that the biggest area of risk was the pension fund, however, colleagues in Kent had presented a positive position and there was a possibility that employer contributions would fall next financial year, so pension fund managers did not see a significant risk.

Decision:

The Committee noted the report and noted that the report will also be referred to Cabinet and Full Council.

412 Chairperson's Annual Report 2024/25

Decision:

The Committee noted the report

Chairperson

Date:

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