

Medway Council
Meeting of Audit Committee
Thursday, 19 March 2026
6.30pm to 7.40pm

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
Phil Watts, Chief Operating Officer
Matt Dean, Director, Grant Thornton

795 Apologies for absence

An apology for absence was received from Independent Member, Anumesh Chandra

796 Urgent matters by reason of special circumstances

There were none.

797 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.

798 Audit Progress Report and Sector Updates

Discussion:

The Chief Operating Officer introduced the report which provided an update on the Audit Plan for 2025/26 and updated information on developments within the sector.

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The Director, Grant Thornton explained to the Committee that planning for the 2025/26 Audit was at an early stage. In relation to developments in the sector, the government was seeking an accelerated approach to authorities regaining assurance, local authorities and auditors had been requested to provide a submission to update the government on progress towards that goal. The Director added that the government had wanted faster progress than had been achieved in the sector so far. A grant to support local authorities to regain assurance had previously been in place, then paused due to low take up. It was expected that this grant would be made available again.

The Director, Grant Thornton, highlighted several changes in the expectations for audits in 2025/26. The principal change being an agreement that non-investment assets such as property would only require valuation every five years, with indices used to estimate the value in the intermediate years. This would reduce and simplify the workload associated with valuation and was positive news, though how those indices would be calculated remained to be seen.

He added that there had been further government announcements to support authorities in relation to SEND related deficit. The position at Medway remained positive and the announcement was welcome.

The following issues were discussed:

One Medway Council Plan – in response to a question how the One Medway Council Plan reflected the national priorities set out by government, the Chief Operating Officer stated that the One Medway Council Plan had been refreshed by Council prior to the announcement of the priorities so they were not explicitly reflected in the One Medway Plan. However, the priorities would be considered in any future update to the One Medway Council Plan.

SEND funding – The Committee welcomed the news regarding SEND funding, the Chief Operating Officer stated that the Council was already in a strong position compared to a number of other authorities, however, the 90% grant funding allowed for a quicker transition to clear the deficit by the end of the 2026/27 financial year and the associated reforms would enable Medway to provide a sustainable service.

Regaining assurance – it was asked if it was still the intention of the Council to regain assurance for external audits prior to Local Government Reform (LGR). The Chief Operating Officer stated that regaining assurance was still the intention of the Council to do this. The Director, Grant Thornton stated that the Council had made progress, Grant Thornton hoped to have made more progress, however, it was possible that the Council could regain assurance prior to LGR.

Valuations – further information was requested regarding the change in requirements regarding the valuation of assets, the Chief Operating Officer stated that the changes would reduce and simplify workloads, with 20% of the

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Council's assets base being valued on a yearly basis and the remaining 80% being estimated through indices. This was a return to the previous requirements and was in the view of the Chief Operating Officer a pragmatic approach.

It was asked whether early planning had been undertaken with valuers, given problems with the timeliness of valuations in the previous audits. The Chief Operating Officer stated that he could not provide detail of the work that had been undertaken at this stage, but the significant reduction in valuations that had to be undertaken was helpful and the Council used in house valuers which provided confidence that the work would be completed in a timely manner.

2025/26 Audit Plan – a Member asked whether it was a realistic target to complete the audit by September, given issues in previous years. The Director, Grant Thornton acknowledged this represented an aspirational plan, the changes to valuation and work undertaken by the Council last year was positive in preparing for the 2025/26 audit, however, the auditors intended to complete their work prior to Christmas whether the audit was complete or not, as a disclaimer opinion would be expected for the 2025/26 audit. It was possible in his view to complete the necessary work within the timeframe.

Crisis Resilience Fund – further information was requested regarding the end of the Household Support Fund which would be superseded by the Crisis Resilience Fund. The Chief Operating Officer stated that the Financial Support Service would be strengthened to meet the requirements of the new fund, the service had been very successful in the past with half of all compliments received by the Council being generated by that team at one stage. The new fund gave the Council the flexibility to provide assistance to families in need and grants would still be available to those families that needed emergency support. In terms of free school meals during the holiday periods, the service was looking at what other services already provided and ensuring the monies available was used in the most effective way.

Finance Services – it was asked if any progress had been made in strengthening the finance services as discussed in previous meetings. The Chief Operating Officer stated that the workshop which would consider potential efficiencies was due to take place in the coming week.

Medway Development Company (MDC) – progress on the plan to provide assurance to external auditors regarding MDC cash flow modelling was requested, the Chief Operating Officer stated that he had received the cash flow modelling report, however, he had not reviewed it and he would share this with auditors following review.

Decision:

The Committee noted the content of the Audit Progress Report and Sector Updates at appendix 1 to the report.

799 Internal Audit Update 1 December 2025 to 28 February 2026

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report. He highlighted that 46% of the planned internal audit reviews had been completed with a further 46% underway. In addition, almost all the incomplete reviews from the previous year had been completed, and those that remained outstanding were with services for review. One planned review would now be undertaken as an advisory review following a significant change in processes.

The Head of Internal Audit and Counter Fraud highlighted outstanding actions over six months beyond proposed implementation date, in particular the school action was outside of its control due to a banking issue. It was expected that this would be resolved by the end of the financial year.

The following issues were discussed:

Support for schools – in response to a question whether the local authority controlled schools had the necessary support from the Council to assist them with finance controls, the Head of Internal Audit and Counter Fraud stated that several schools had been affected by the same banking issue. The problem was outside of the schools' control; however, the schools had received support from the Council's finance team and the issue was expected to be resolved shortly.

Recurring themes – the Committee discussed recurring themes from audits, it was noted that out of date procedures and unsigned contracts had been found in multiple reviews. The Head of Internal Audit and Counter Fraud stated that there were repeating themes, however, he did not think it was a particular problem across the Council. In relation to procedures, it was often a case of the procedures not keeping up with relatively small changes in practice. Whilst CMT were advised of the findings of reports, he did not believe it was a wider failing and was ultimately the responsibility of the relevant Service Manager to ensure procedures were updated.

The contract gaps for rough sleeping referred to emergency decisions, where a decision was taken but then the recording of that decision at a later date was inconsistent.

Outstanding actions - further information was requested with regard to outstanding actions. The Head of Internal Audit and Counter Fraud stated that whilst 25% of actions remained outstanding, this represented only seven actions and was a positive performance. He added that there was not a particular directorate which had more actions outstanding than others.

Decision:

The Committee noted the outputs and performance against the Internal Audit Plans for Medway for the period 1 December 2025 to 28 February 2026 as detailed at Appendix 1.

800 Internal Audit Charter

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report. He highlighted there had been a significant overhaul in the charter last year, so no changes were proposed for the forthcoming year.

Decision:

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

801 Internal Audit Plan (Q1-Q2) 2026-27

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report. He highlighted that the plan had been developed following consideration of the Council's Corporate Risk Register and in consultation with management teams. The plan prioritised the areas with highest risk taking into account service workloads to prevent unnecessary additional pressures on services at times of high workload.

The following issues were discussed:

Local Government Reorganisation (LGR) – it was asked if LGR would have any impact on the planned work of the team for the next year. The Head of Internal Audit and Counter Fraud stated that the team would be responsive to changing circumstances, and the planned LGR announcements would be a factor. He had undertaken discussions with counterparts across the county regarding the potential for collaborative working in readiness for LGR. He also expected that the latter half of 2027/28 would see the team pivot towards providing much more advisory support in advance of LGR rather than auditing of services which would ultimately be superseded by a successor authority.

Houses In Multiple Occupancy (HMO) – in response to a question whether the HMO review would consider the effectiveness of enforcement, the Head of Internal Audit and Counter Fraud stated that it would.

Cyber security – it was asked whether the Audit team had the necessary skills to complete a cyber security review, the Head of Internal Audit and Counter Fraud stated that he did not have an IT qualified auditor, however, the team had reviewed the requirements of the review set out by the Institute of Internal Auditors and he was satisfied there was enough experience and expertise in

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the team to complete the review. The review was focused upon controls, if it was felt that specialist IT support was required, it would be considered at that time. The Chief Operating Officer added that the Council had links to organisations which could provide assistance if required, but the cost was significant.

Decision:

The Committee approved the Internal Audit Plan (Q1-Q2) 2026/27 presented at Appendix 1.

802 Counter Fraud Update 1 December 2025 to 28 February 2026

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report which presented the final for the update for year, he highlighted that thirteen investigations had been completed in the period. The comparatively low number of completed cases was due to the complexity of those investigations. The total savings for the year to date was £671,357 to 28 February 2026.

The following issues were discussed:

Direct Payments – it was asked whether there had been any increased referrals following the awareness raising work undertaken with the service, the Head of Internal Audit and Counter Fraud stated that there had been an increase in referrals, the team continued to work with the Direct Payments to improve the quality of information provided in referrals.

AI – the Committee discussed use of AI in Counter Fraud, the Head of Internal Audit and Counter Fraud stated that the work was at an early stage and there were no results to report currently.

Savings – in response to a question what the cashable and notional savings were, the Head of Internal Audit and Counter Fraud stated that there were cashable savings of £552,000 and notional savings of £122,000 for the year to date. The Committee welcomed the results.

The Committee discussed the publicity around successful cases, the Head of Internal Audit and Counter Fraud stated that the team undertook publicity following successful investigations. In addition, the Counter Fraud team attended Medway Live events and had taken part in National Fraud Awareness week. The Head of Internal Audit and Counter Fraud stated he would do more of this publicity work if resources allowed. Amongst his counterparts across the county, there was an emphasis on ensuring the public did not evade payment for services or defraud the public purse.

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Decision:

The Committee noted the outputs and performance of the Counter Fraud Team for Medway for the period 1 December 2025 to 28 February 2026 as detailed at Appendix 1.

803 Counter Fraud Plan 2026-27

Discussion:

The Head of Internal Audit and Counter Fraud introduced the report which outlined the Counter Fraud plan for the forthcoming year. The plan included flexibility for the team to respond to emerging issues and did not include specific issues due to confidentiality.

The following issues were discussed:

Training – The Committee welcomed the training sessions available and urged Members and officers to attend where possible.

Decision:

The Committee approved the Counter Fraud Plan 2026-27 presented at Appendix 1.

Chairperson

Date:

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