
Audit & Counter Fraud Update

Medway Council

For the period:

1 April – 31 August 2016

1. Introduction

- 1.1. The Audit & Counter Fraud Shared Service for Medway Council & Gravesham Borough Council was established on 1 March 2016. The team provides internal audit assurance and consultancy, proactive counter fraud and reactive investigation services, and the Single Point of Contact between both authorities and the Department for Work & Pensions Fraud & Error Service for their investigation of Benefits Fraud.
- 1.2. The Public Sector Internal Audit Standards (the Standards) require that: *The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.*

2. Independence

- 2.1. The Audit & Counter Fraud Charter was approved by Medway's Audit Committee in March 2016 and sets out the purpose, authority and responsibility of the team. The Charter sets out the arrangements to ensure the team's independence and objectivity through direct reporting lines to senior management and Members, and through safeguards to ensure officers remain free from operational responsibility and do not engage in any other activity that may impair their judgement. The work of the team during the period covered by this report has been free from any inappropriate restriction or influence from senior officers and/or Members.
- 2.2. Given its responsibilities for counter-fraud activities, the Audit & Counter Fraud Shared Service cannot provide independent assurance over the counter-fraud activities of either council. Instead independent assurance over the effectiveness of these arrangements will be sought from an external supplier of audit services on a periodic basis.

3. Resources

- 3.1. The Audit & Counter Fraud Shared Service Team reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. The team has an establishment of 14 officers (13.75FTE) consisting of the Head of Audit & Counter Fraud, the Audit & Counter Fraud Manager, two Audit & Counter Fraud Team Leaders, nine Audit & Counter Fraud Officers and one Audit & Counter Fraud Assistant. All members of the team started in these posts with the launch of the shared service on 1 March 2016.
- 3.2. The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 64% for Medway with the remaining 36% for Gravesham. At the time the Audit & Counter Fraud Plans for 2016-17 were prepared, this establishment was forecasted to provide a total of 1,943 days available for audit and counter fraud work (net of allowances for leave, training, management, administration etc.) The Audit & Counter Fraud Plan for Medway was prepared with a resource budget of 1,195 days.
- 3.3. Net staff days available for Medway for the period 1 April to 31 August 2016 amounted to 473 days and 385 days (81%) were spent on productive audit and counter fraud work. Of this productive time, 40% was spent on audit assurance and consultancy work, while 60% was spent on counter fraud and investigations work. The current status and results of all work carried out are detailed at section 4 of this report.
- 3.4. The new shared service has moved the team members into multidisciplinary roles with all staff being responsible for delivering both audit work and counter fraud work over time. The first year of the shared service is being used to introduce staff to the disciplines that are new to them, with learning

and development needs and objectives agreed through the Performance Development Review (appraisal) process, and delivered through a mixture of formal qualification training, formal skills training, job-shadowing/mentoring and 'on the job' training. The team has monthly team meetings, and all team members have regular one to one meetings with their line manager to monitor progress with work-plans and to continue to identify and support staff to become proficient in all aspects of the team's work.

4. Results of planned Audit & Counter Fraud work

- 4.1. The Audit & Counter Fraud Plan 2016-17 for Medway was approved by the Audit Committee in March 2016. The Plan is intended to provide a clear picture of how the council will use the Audit & Counter Fraud Shared Service, reflecting all work to be carried out by the team for Medway during the financial year including the council's core finance and governance arrangements, operational assurance work, proactive counter fraud work, responsive investigations and consultancy services.
- 4.2. As in previous years, a number of items from the 2015-16 audit plan were not finalised in that year, with 31 days spent on work from the previous year's plan in Q1 and Q2 of 2016-17. The productive days spent on Medway's plan have been primarily focused on proactive and reactive counter fraud work with 232 days spent on this type of work. A total of 139 days have been spent on assurance work in the period.

2015-16 Internal Audit Assurance work completed in 2016-17

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
	Adoption Services	Final report issued	<p>The audit considered the following Risk Management Objective (RMO): RMO1 – Allowances relating to adoption and special guardianship are not appropriately reviewed.</p> <p>The review found that there are arrangements in place to make payments to foster carers who adopt children, those who adopt children who are considered difficult to place, and those who take custody of children through Special Guardianship Orders in accordance with the relevant Regulations; payments are generally based on the approved Foster Care rates and should be reviewed annually. An administration officer maintains a spreadsheet record of children where parents/guardians are in receipt of payments, and is responsible for administering annual reviews, with financial assessment review forms sent to parents/guardians annually in advance of the anniversary of the order date. Audit testing found four children where payments are being made that were not recorded on the spreadsheet and it was not possible to confirm that review forms had been sent to all parents/guardians as required. Arrangements are in place to remind parents/guardians where the forms are not returned. Where forms are returned, arrangements are in place for information to be entered into a Department for Education designed means test calculator for this purpose; however audit testing found that completed forms were only on file in 17% of cases, and none of these had been authorized by senior management; as such the payments remained unchanged.</p> <p>Opinion: Weak. Recommendations: three high, one medium priority.</p> <p>Overall opinion: Weak.</p>

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
	Bank Account Management	Final report issued	<p>The audit considered the following Risk Management Objective (RMO): RMO1 – Key controls exist for accurate and prompt bank reconciliations to be carried out.</p> <p>The review found that arrangements are in place for transactions on the council’s three main bank accounts to be reconciled to the income and expenditure records on the general ledger on a fortnightly basis. Access to both the council’s cash management system and the bank account are restricted to appropriate users. Audit testing confirmed that reconciliations were up to date and the most recent reconciliations at the time of the review all had no unexpected variances. Arrangements are in place to identify and resolve any unexpected variances identified by the reconciliations, and for adjustments to be made to correct these. All reconciliations completed are reviewed and authorised by a senior officer and audit testing confirmed this is happening on a timely basis in practice.</p> <p>Opinion: Sufficient. Recommendations: one low priority. Overall opinion: Sufficient.</p>
	Innovation Centre Medway	Final report issued	<p>The audit considered the following Risk Management Objectives (RMO): RMO1 – An appropriate application process is in place.</p> <p>The review found that while a recognised application procedure is in place at the Innovation Centre – Medway (ICM), associated documents were not fully completed and reviewed in all instances. In addition, as some documentation was not routinely retained, it was not possible for the team to confirm whether or not a number of controls surrounding the selection procedure were working effectively in practice. While arrangements are in place for credit checks to be carried out on all company names, opportunities were identified and discussed with management for enhancing tenant screening, including formal identity checks. Appropriate arrangements exist for Fobs to be issued to all tenants and their staff at the ICM; however weaknesses were identified in relation to further checks carried out on staff issued with a fob, to ensure they are still in occupation.</p> <p>Opinion: Needs Strengthening. Recommendations: three high, three medium priority.</p> <p>RMO2 – Appropriate arrangements are in place for the collection of rental income.</p> <p>The review found that appropriate arrangements are generally in place for the invoicing of tenants and the collection of rental income. While arrangements are in place for outstanding debt to be appropriately monitored, there is a need for existing recovery arrangements to be formalised to ensure that, where necessary, a consistent approach is taken.</p> <p>Opinion: Needs Strengthening. Recommendations: one high, two medium priority. Overall opinion: Needs Strengthening.</p>
	St Mary’s Island School (Income &	Final report issued	<p>This audit formed part of the council’s programme of financial probity reviews, and sought to provide assurance on the overall financial</p>

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
	Expenditure)		<p>management of the school.</p> <p>Income: The audit did not identify any missing income streams. During the audit the school identified a financial irregularity in the after school club income of approximately £7,000 which has subsequently been recovered and the matter was passed to the Police for investigation. Analysis of the income and expenditure totals for the after school club from April 2008 to March 2014 indicate that the income for the period 2010-11 and 2011-12 appears significantly lower than might have been expected. There are no detailed income records for the period so it is not possible to determine the reasons for this apparent shortfall. The audit did not identify any further probity issues but agreed an action plan to strengthen current arrangements.</p> <p>Expenditure: The school's finance policy provides guidance and a framework for financial management and includes reference to a finance committee; however the school operates a circle governor system (the governing body works as a 'whole team', without any separate committees). The policy establishes appropriate roles and responsibilities for the governing body, Chair of Governors, Headteacher, Deputy Headteacher, Finance Officer and Site Manager. We were able to account for all staff on the payroll and were satisfied that the school's processes would ensure only legitimate staff were paid. The school makes the majority of its creditor payments by cheque through SIMS, but also uses debit cards and has a petty cash fund. The audit found no probity issues relating to expenditure but agreed an action plan to strengthen current arrangements.</p>
	Leisure Memberships	Draft report with client for consideration	<p>The audit considered the following Risk Management Objectives (RMO):</p> <p>RMO1 – Arrangements are in place for sufficient sign up procedures and eligibility checks on applications.</p> <p>RMO2 – Financial processes and procedures are appropriate to ensure correct collection and recording of income due.</p> <p>RMO3 – The security of premises and data may is adequate to prevent misuse.</p>

2016-17 Planned Internal Audit Assurance work

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
1	Corporate governance	Final report issued	<p>The review considered the following Risk Management Objective (RMO):</p> <p>RMO1 – Medway Council's Annual Governance Statement (AGS) provides a fair representation of the Authority's governance arrangements.</p> <p>The audit determined whether there was sufficient and appropriate evidence to support all the information included within the AGS within the Authority's constitution, committee papers or other available documentation, and whether it incorporated all the requirements as set out in the CIPFA/SOLACE guidelines. The headings covered in this review</p>

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
			<p>were:</p> <ul style="list-style-type: none"> • Scope of responsibility • The purpose of the governance framework • The council's governance framework • Review of effectiveness • Governance: key areas of focus. <p>The audit was able to find evidence to support the statements in the AGS and we are satisfied that there are no outstanding queries regarding the AGS. The review concluded that the council's AGS provides a fair and evidenced representation of the Authority's governance arrangements, which meets the requirements of the CIPFA/SOLACE framework. Recommendations: None.</p> <p>Overall opinion: Strong.</p>
2	Risk management framework	Fieldwork underway	<p>The review will consider the following Risk Management Objective (RMO):</p> <p>RMO1 – Effective arrangements are in place for the management of operational risk in line with the Risk Management Cycle in the council's Strategy.</p>
3	Purchase ledger	Fieldwork complete, in quality control	<p>The review considered the following Risk Management Objective (RMO):</p> <p>RMO1 – Effective arrangements are in place for the payment of the council's creditors.</p>
4	Council tax	Fieldwork underway	<p>The review considered the following Risk Management Objective (RMO):</p> <p>RMO1 – Arrangements are in place to appropriately administer Council Tax Discounts, Disregards & Exemptions.</p>
5	Asset management	Fieldwork underway	<p>The review will consider the following Risk Management Objective (RMO):</p> <p>RMO1 – Arrangements are in place to manage and account for the council's assets.</p>
6	Housing rents	Not yet started	
7	Project management	Fieldwork underway	<p>The review will consider the following Risk Management Objectives (RMO):</p> <p>RMO1 – Management of projects across the council is effective.</p> <p>RMO2 – Based on a sample of projects selected throughout the council we will review arrangements to ensure that:</p> <ul style="list-style-type: none"> • There are appropriate governance arrangements in place for major projects. • Each project has agreed outcomes / milestones / budget as appropriate. • There are reporting mechanisms in place that ensure the council is aware of the status of projects. • Arrangements are in place to share lessons learned for

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
			completed projects.
8	Treasury management	Not yet started	
9	Income collection	Not yet started	
10	Payroll	Not yet started	
11	Grant payments to voluntary organisations	Not yet started	
12	Human Resources self service	Not yet started	
13	Medway Norse Governance	Fieldwork underway	The review will consider the following Risk Management Objective (RMO): RMO1 – Governance arrangements in place are effective to ensure the delivery of quality services and value for money through Medway Norse.
14	Homelessness – Temporary Accommodation	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives (RMO): RMO1 – Suitable temporary accommodation options are available. RMO2 – All persons placed in temporary accommodation meet the eligibility requirements and all placements are in accordance with government guidelines. RMO3 – There are arrangements in place to ensure costs in respect of temporary accommodation are managed.
15	Customer contact – financial assessments	Not yet started	
16	Fostering – payments to carers	Not yet started	
17	Adoption & fostering – expenses claims and other related expenditure	Not yet started	
18	Child sexual exploitation	Not yet started	
19	Adult social care – assessments & reviews of financial support	Not yet started	
20	Advocacy	Not yet started	

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
21	Safeguarding adults	Not yet started	
22	Allowance for schools work	Not yet started	
23	Regeneration	Fieldwork completed, in quality control	The review considered the following Risk Management Objective (RMO): RMO1: Arrangements are in place to deliver regeneration projects effectively in line with good governance.
24	Heritage assets – maintenance & preservation	Draft report with client for consideration	The review considered the following Risk Management Objective (RMO): RMO1 – Heritage buildings are maintained and preserved.
25	Tourism	Not yet started	
26	Procurement	Fieldwork underway	The Audit & Counter Fraud Team will carry out periodic sample checks of compliance with Public Contracts Regulations 2015 & council Contract Procedure rules. A summary report will be prepared based on the result of the testing throughout the year, with the results presented to Members in the Annual Audit & Counter Fraud Report.
27	Waste management – refuse collection & recycling	Not yet started	
28	Emergency planning	Not yet started	
29	Information requests	Not yet started	
30	Cyber security	Not yet started	

Proactive Counter Fraud work

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
37	Right to Buy	Draft report with client for consideration	The review considered the following Risk Management Objectives (RMO): RMO1 – There are adequate policies and procedures in place to support the Right to Buy process. RMO2 – Arrangements are in place to verify the legitimacy of Right to Buy applications.
38	No Recourse to Public Funds	Fieldwork underway – on consultancy basis	Please see entry in table: Other consultancy services including advice & information, on page 13 of this report.
39	Disabled Parking	Not yet	

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
		started	
40	Action plan for each stream of Fighting Fraud Locally Strategy: Housing Tenancy fraud Council Tax fraud Procurement fraud Grant fraud Employee fraud	Underway	<p>Individual Audit & Counter Fraud Officers have been tasked with researching legislation, policies, guidance and best practice in one of these areas each to create some areas of specialism within the team.</p> <p>Disabled Parking: A review is underway that will consider arrangements in place to manage the risks of Blue Badge fraud and misuse and will advise the service on how to strengthen controls based on identified best practice.</p> <p>Housing Waiting List: A data match was undertaken to compare households on the council's Common Housing Register to household data on Housing Benefit claims to identify individuals that may have had changes in their personal circumstances that affected their eligibility for housing or their allocation banding.</p> <p>This identified a significant number of applicants whose circumstances have changed since they were added to the Common Housing Register; details of these cases have been shared with the council's Housing Services for review and they will amend or remove the Common Housing Register as appropriate, with investigations considered where individuals have been continuing with their efforts to gain social housing having failed to declare those changes in circumstances.</p>
41	Data matching exercises, including National Fraud Initiative and Kent Intelligence Network	Underway	<p>The Audit & Counter Fraud Team has continued to liaise with Kent County Council over the implementation of the Kent Intelligence Network. Legal agreements for the sharing of data have now been signed, and it is anticipated that data matching will be underway in the Autumn of 2016.</p> <p>The Audit & Counter Fraud Team are currently implementing an upgrade to the IDEA data analysis and matching software that was previously in use at Medway (within existing budgets). Access will be provided to all staff members with formal training scheduled for late September. This will enable the team to run in-house data matching exercises and opportunities to do so will be explored with Service Managers once the software is in place.</p>
42	Fraud awareness	Underway	The Audit & Counter Fraud Team will be delivering a Fraud Awareness Briefing for Medway Members in late September.

Reactive Investigations work: external investigations

Area	Number of cases concluded	Summary of results
Housing	2	<p>The team has completed one investigation into suspected tenancy fraud and one linked to a right to buy application. Referrals were received from members of the public and council staff in Housing Services and both related to suspected non-residence or sub-letting.</p> <p>Neither of the investigations identified any fraud as the tenants were verified as resident and evidence gathered highlighted no</p>

Area	Number of cases concluded	Summary of results
		additional areas of concern.
Council Tax	36	<p>Work to complete cases from the 2015-16 National Fraud Initiative exercise has continued along with old benefit cases that had a Council Tax Reduction element that was not transferred to SFIS. Cases completed in the period have identified additional Council Tax liabilities with a total value of £25,570.</p> <p>The removal of Council Tax Single Person Discounts also means that the Council Tax liability for future years has also increased by £3,208.</p>
NNDR	2	<p>The team investigated two referrals made by the council's Revenues Team where it was suspected that a company was falsely claiming to occupy properties for short periods in order to qualify for empty property exemptions.</p> <p>No evidence was found to suggest that fraud has taken place although it was evident that loopholes were being exploited with premises being used for storage for approximately 6 weeks and then being left empty; this is compliant with current legislation.</p>
Blue Badge	14	<p>The team investigated referrals made by the council's Civil Enforcement Officers and from members of the public where it was suspected that a Blue Badge was being misused.</p> <p>The majority of cases have resulted in warning letters being issued to badge holders and an education for both badge holders and those misusing them. One blue badge has been recovered after a woman was found to be using the badge of her deceased mother. Criminal action was not pursued due to mitigating factors.</p>
Procurement	1	<p>The council's Category Management Team referred an issue where a company was carrying out works for the council that may be in excess of the value where a formal tendering exercise would be required. There was also a concern that the contractor may be submitting inflated invoices which were knowingly being authorised by an officer of the council, for personal gain.</p> <p>An investigation found that invoices from the company were being authorised by a number of staff from multiple departments in the council and found no evidence that these were not properly authorised. The investigation concluded that a number of departments were using the same company independently, with none of the separate arrangements being of a value where a tendering process was required. Category Management will be working with teams to determine whether tendering for a collective contract will be necessary.</p> <p>Two other referrals were received about contracts but initial enquiries determined that these were compliance issues which were raised with the respective services, but did not require formal investigations.</p>
Benefits	13	While all Benefit fraud investigation work transferred to the Department for Work & Pensions on 1 March 2016, any cases that

Area	Number of cases concluded	Summary of results
		<p>were already with the council's Legal Services Team or with the Crown Prosecution Service remained the responsibility of the local authority. Work on these cases has resulted in the following:</p> <ul style="list-style-type: none"> • Caroline Coulridge was convicted of Housing Benefit fraud totalling £1,167 and Job Seekers Allowance fraud of £1,884 following the refusal of an Administrative Penalty; sentenced to £125 fine, £85 costs and £20 victim surcharge. • Shane Treeby was convicted of Housing and Council Tax Benefit fraud totalling £17,297 and job seekers allowance fraud totalling £5,194: given a custodial sentence suspended for 12 months with a curfew order between 10pm and 7am, £85 costs and £80 victim surcharge. • Goay-Kim Tan was convicted of Council Tax Benefit fraud totalling £575 and DWP related Benefit fraud totalling £20,509; sentenced to 70 days imprisonment suspended for 2 years, £80 compensation and £600 costs. • Tracy Hukins was convicted of Housing and Council Tax Benefit fraud totalling £5,889 and Council Tax Reduction fraud totalling £970; sentenced to £280 fine, £350 costs and £20 victim surcharge. • Emma Ashen was convicted of Housing Benefit fraud totalling £4,749 and Council Tax Reduction fraud totalling £648; sentenced to £100 fine, £250 costs and £20 victim surcharge. • Nicholas Lord was convicted of Housing Benefit fraud totalling £156 and DWP Benefit fraud totalling £7,289; sentenced to 12 month community order, two month curfew between 7pm and 7am, £250 costs and £60 victim surcharge. • Jane Carter was convicted of Housing and Council Tax Benefit fraud totalling £12,629 and Council Tax Reduction fraud totalling £1,416; sentenced to £140 fine, £350 costs and £20 victim surcharge. • Lorraine Hennessey was convicted of Housing Benefit fraud totalling £8,222; sentenced to 60 hours unpaid work, £350 costs and £60 victim surcharge. • Ian Cresswell was convicted of Council Tax Reduction fraud totalling £7,497; sentenced to four weeks imprisonment suspended for 12 months and £80 victim surcharge. <p>The remaining four cases were not deemed to be suitable for prosecution following a review by legal services and no further criminal action was taken but overpayments were raised and ongoing entitlements adjusted where appropriate.</p>

Reactive Investigations work: internal investigations

Allegation	Investigation activity & recommendations
<p>Received through Whistleblowing policy (and reported in annual Whistleblowing Report). Several allegations made relating to a council officer:</p> <ul style="list-style-type: none"> • Mismanagement of clients finances through personal associations with external service providers. • Theft of a deceased client's property. • Completing time sheets with hours that had not been worked in order to accrue sufficient hours for days off under the flexible working scheme. 	<p>A disciplinary investigation was conducted but no evidence of wrongdoing was found and as a consequence, no further action was taken under the disciplinary policy.</p> <p>The investigation concluded the following:</p> <ul style="list-style-type: none"> • While there was a personal connection to service providers and procedures for annual retendering had not been followed, no action had been taken that was to the detriment of the clients involved. • The property thought to have been taken from a deceased client had in fact been gifted by an executor following the client's passing, however the item had not been declared on the gifts and hospitality register prior to the investigation. • Due to the officer's work base and weaknesses in arrangements to sign in and out at work, it was not possible to corroborate entries on timesheets. <p>Two high priority recommendations were agreed with senior management of the service:</p> <ul style="list-style-type: none"> • A tendering process to select service providers in accordance with the service areas own policies and procedures. • Remedial management action with the employee to ensure that registers are signed upon arrival and leaving for health and safety purposes and record keeping.
<p>Received through Whistleblowing policy (and reported in annual Whistleblowing Report). Allegation received that an employee was working while absent from work due to sickness and running his own company.</p>	<p>The employee in question was known to run their own business in their own time, and the report received suggested that the sickness absence was purely to further that business.</p> <p>A witness statement was obtained from the member of the public making the report but the employee refused to co-operate with investigators and failed to attend all interviews and meetings.</p> <p>Disciplinary action is continuing based upon the evidence gathered.</p>
<p>Theft of Markets income.</p>	<p>Senior Managers raised a concern that monies from markets had not been banked and a trader also produced copies of receipts that were missing from council logs.</p> <p>The investigation identified losses of approximately £180, all connected to the same employee. The police were contacted, the employee was subsequently arrested and made a full admission of the offences and received a police caution on the basis that the monies were to be repaid.</p> <p>Disciplinary action followed and (despite resigning) the employee was dismissed for gross misconduct after failing to attend the hearing.</p>

Reactive Internal Audit Assurance work

Activity	Current status	Opinion, summary of findings & recommendations made
Markets Income	Draft report with client for consideration	<p>Following an investigation into the theft of market income takings, it was agreed with the service management that an assurance review would be conducted to ensure arrangements in place were robust enough to prevent further instances of theft.</p> <p>The review considered the following Risk Management Objectives (RMO):</p> <p>RM01 – Records exist to accurately record income received from all market traders.</p> <p>RM02 – Arrangements are in place to ensure income collected is adequately protected against loss until such time as it is banked.</p> <p>RM03 – Income collected is banked intact on a timely basis.</p>
Medway Action for Families – Certification of grant claim to the government’s Troubled Families Programme.	May 2016 Claim verified September Claim in progress	The Department of Communities & Local Government requires local authority internal audit teams to verify claims for payment before they are submitted. The Audit & Counter Fraud Team have verified the May 2016 claim and work is underway to verify the September 2016 claim.
Social Care Petty Cash	Final report issued	The Audit & Counter Fraud Team were commissioned by the service to review the arrangements to manage petty cash. The review found no significant control weaknesses, but made a number of suggestions to further strengthen existing arrangements.

Other consultancy services including advice & information

Client service area	Services provided
No Recourse to Public Funds	<p>The Audit & Counter Fraud Plan 2016-17 included a proactive counter fraud review of No Recourse to Public Funds, intended to be an assurance (opinion) review. Early discussions with management in Children & Adults concluded that the resources would be better used to support the services to implement planned arrangements to manage this risk area.</p> <p>An assurance (opinion) review will be included in the 2017-18 Audit & Counter Fraud Plan, and arrangements are in place to preserve the independence of other members of the team to carry out the later work objectively.</p>
SEND Transport review	Medway Norse is responsible for managing the operation of the framework of suppliers of SEN transport. They also directly deliver transport for three school routes and some routes for a fourth school. At the request of the Chief Finance Officer, the Audit & Counter Fraud Team will seek to assess the arrangements in place with a view to assisting the service to enhance the control in place and improve value for money provided.
Purchase cards	The Audit & Counter Fraud Team are working with colleagues across Finance and Category Management to consider the wider

Client service area	Services provided
	use of purchase cards to reduce administration costs of low value payments.
Security & Information Governance Group	Audit & Counter Fraud have a representative on this corporate working group, which supports the council in identifying its information needs, management and risks.

5. Quality Assurance & Improvement Programme

- 5.1. The Standards require that: *The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. A Quality Assurance & Improvement Programme (QAIP) has been prepared to meet this requirement.* The Audit & Counter Fraud Shared Service QAIP was agreed by Gravesham's Finance & Audit Committee in March 2016.
- 5.2. The arrangements set out in the QAIP have been implemented with the collection and monitoring of performance data largely automated through the team's time recording and quality management processes. It should be noted that the results recorded below have not been subjected to independent data quality verification; it is planned that officers in the team will carry out checks to ensure the accuracy of the calculation of performance data reported to Members in future.
- 5.3. In line with the QAIP, the team monitor performance against a suite of 25 performance indicators based on the balanced scorecard, covering the four perspectives; financial, internal process, learning & growth and customer. Performance targets have been set for 15 of the 25 indicators however it should be noted that these are for full year outturns; as such outturns at present are not to target levels for the majority of these but are provided for Members information.

Ref		Target	Outturn to end August 2016
Financial			
A&CF 1	Total cost of the Audit & Counter Fraud Service (compared to the 2015-16 baseline year budgets)	N/A	Medway cost £364,881 (2015-16 budget £522,060)
A&CF 2	Average cost per assurance review	N/A	£4,704 (32 reviews averaging 16 days)
A&CF 3	Cost per A&CF day	N/A	£294
A&CF 4	Value of fraud losses identified, by fraud type (cashable & non-cashable)	N/A	£129,892 Housing & Council Tax Benefit Overpayments. £25,570 Council Tax £500 notional saving for Blue Badges (non-cashable)
Internal Process			
A&CF 5	Compliance with PSIAS	100%	N/A – initial assessment found no significant variances in May 2016, self-assessment to be updated in Q3/4 2016-17.
A&CF 6	Proportion of available resources spent on productive work	90%	82%

Ref		Target	Outturn to end August 2016
A&CF 7	Proportion of productive work time spent on assurance work	75-85%	37%
A&CF 8	Proportion of productive time spent on: a) consultancy work b) proactive counter fraud work c) reactive counter fraud work	15-25%	Total: 63% 3% 13% 47%
A&CF 9	Investigator average caseload	TBC	10
A&CF 10	Proportion of agreed plan: Delivered (fieldwork completed) Underway (fieldwork current)	95%	14% 39%
A&CF 11	Proportion of assignments completed within allocated day budget	90%	33%
A&CF 12	Proportion of recommended actions agreed by client management	90%	100%
A&CF 13	Proportion of recommended actions implemented by agreed date	95%	Data not yet available – see section 6 of this report.
A&CF 14	Number of recommendations agreed that are: a) not yet due b) implemented c) outstanding	N/A	Data not yet available, see section 6 of this report.
A&CF 15	Number of referrals received	N/A	66
A&CF 16	Number of investigations closed	N/A	71
Learning & growth			
A&CF 17	Proportion of staff with relevant professional qualification	25%	43%
A&CF 18	Proportion of non-qualified staff undertaking professional qualification training	25%	36%
A&CF 19	Time spent on CPD/non-professional qualification training, learning & development	TBC	42 days
A&CF 20	Staff turnover	N/A	0%
A&CF 21	Proportion of completed reviews subject to a second stage (senior management) quality control check in addition to the primary quality control review	10%	6%
Customer			
A&CF 22	Customer satisfaction with overall service	95%	N/A – full client survey planned for Q4 2016-17
A&CF 23	Member satisfaction on effectiveness of internal audit (as set out in the terms of reference of the Audit Committee)	Positive	N/A – Members views on their satisfaction with the service to be sought through survey planned for Q4 2016-17
A&CF 24	Statement of external audit on internal audit and/or their ability to rely on the work of internal audit	Positive	N/A – no such statement made in reports received by the Committee in year to date.

Ref		Target	Outturn to end August 2016
A&CF 25	Customer satisfaction with individual review/assignment	95%	N/A – A new post audit client satisfaction survey has been developed and will be issued to clients for all reviews completed from October 2016.

6. Follow up of agreed recommendations

- 6.1. Where the work of the team finds opportunities to strengthen the council's risk management, governance and/or control arrangements, the team make and agree recommendations for improvement with service managers. The Standards require that a follow-up process is established: *to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action*. As with all audit work, resources should be prioritised based on risk.
- 6.2. Following the launch of the new shared service, the follow up arrangements in place at both Gravesham and Medway were reviewed and a revised process, consistent across both sites, was agreed with senior management. Previously at Medway the team carried out full follow up audits of all reviews given an overall opinion of Weak or Needs Strengthening (including re-testing of controls originally given opinions of Sufficient or Strong). Where an overall opinion of Sufficient or Strong was awarded, no follow up activity was carried out to confirm any recommendations had been implemented. As such the team's resources were being used to verify that low and medium priority recommendations agreed as part of Weak or Needs Strengthening audit reviews have been implemented, while high priority recommendations that were made as part of Sufficient and Strong reviews, were not verified.
- 6.3. It was agreed that service managers will be asked to provide an update on action taken towards implementing all recommendations agreed, but they will also be asked to supply evidence to confirm the action stated and the Audit & Counter Fraud Team will verify this. In addition, recommendations made as part of proactive and reactive counter fraud work will be incorporated into the follow up process to ensure action is taken to address fraud risks identified. The results of follow up work will be reported to senior management and to Audit Committee on a quarterly basis, with the first data available for the next meeting of the Audit Committee in January 2017.

Definitions of audit opinions	
Strong (1)	<p><u>Risk Based:</u> Appropriate controls are in place and working effectively, maximising the likelihood of achieving service objectives and minimising the Council's risk exposure.</p> <p><u>Compliance:</u> Fully compliant, with an appropriate system in place for ensuring ongoing compliance with all requirements.</p>
Sufficient (2)	<p><u>Risk Based:</u> Control arrangements ensure that all critical risks are appropriately mitigated, but further action is required to minimise the Council's risk exposure.</p> <p><u>Compliance:</u> Compliant with all significant requirements, with an appropriate system in place for monitoring compliance. Very minor areas of non-compliance.</p>
Needs Strengthening (3)	<p><u>Risk Based:</u> There are one or more failings in the control process that leave the Council exposed to an unacceptable level of risk.</p> <p><u>Compliance:</u> Individual cases of non-compliance with significant requirements and/or systematic failure to ensure compliance with all requirements.</p>
Weak (4)	<p><u>Risk Based:</u> There are widespread or major failings in the control environment that leave the Council exposed to significant likelihood of critical risk. Urgent remedial action is required.</p> <p><u>Compliance:</u> Non-compliant, poor arrangements in place to ensure compliance. Urgent remedial action is required.</p>