



AUDIT COMMITTEE

29 JUNE 2017

AUDIT & COUNTER FRAUD ANNUAL REPORT 2016-17

Report from: Katey Arrowsmith, Head of Audit & Counter Fraud Shared Service (Chief Audit Executive)

Summary

This report informs Members of the Audit & Counter Fraud work completed during 2016-17 and presents the opinion of the Head of Audit & Counter Fraud Shared Service as Chief Audit Executive on the council's internal control environment.

1. Budget and Policy Framework

- 1.1 This report falls outside the Council's policy framework; Council delegates responsibility for the oversight and monitoring the effectiveness of the Audit & Counter Fraud Shared Service to the Audit Committee.

2. Background

- 2.1 The Public Sector Internal Audit Standards require the Chief Audit Executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. The Annual Audit & Counter Fraud Report 2016-17 has been prepared for the authority to meet this requirement.
- 2.2 Since 1 March 2016 the council's internal audit activity has been delivered by the Audit & Counter Fraud Shared Service with Gravesham Borough Council.

3. Preparation of the Annual Report

- 3.1 The Audit & Counter Fraud Shared Service has provided update reports to Members at three meetings of the Finance & Audit Committee in 2016-17. This Annual Report reproduces the findings reported in those Update reports along with the results of work carried out since the last Update, to provide Members with a summary of all work delivered by the team in the year.
- 3.2 The Annual Report is intended to provide Members with sufficient details of the results of the work of the team to support the opinion of the Chief Audit Executive on the adequacy and effectiveness of the council's overall control environment.

3.3 The report has been prepared in line with the requirements of the PSIAS.

4. Risk management

4.1. This report, summarising the work of the Audit & Counter Fraud team, provides a key source of assurance for the council on the adequacy and effectiveness of its internal control arrangements.

5. Financial implications

5.1. An adequate and effective Audit & Counter Fraud function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the Council.

6. Legal implications

6.1. The Accounts & Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Section 151 Officer of a local authority is responsible for establishing the internal audit service; Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council.

7. Recommendations

7.1. Members are requested to:

7.2. Endorse the work undertaken by the Audit & Counter Fraud Shared Service for Medway during 2016-17 in providing an effective service to the council.

7.3. Consider and endorse the opinion on the council's internal control environment provided by the Head of Audit & Counter Fraud Shared Service.

Lead officer contact

Katey Arrowsmith, Head of Audit & Counter Fraud (Chief Audit Executive)

Appendices

Appendix 1 – Audit & Counter Fraud Annual Report 2016-17 for Medway.

Background papers

None

Audit & Counter Fraud Annual Report 2016-17

Medway Council

1. Introduction

The Audit & Counter Fraud Shared Service was established on 1 March 2016 to provide internal audit assurance and consultancy, proactive counter fraud and reactive investigation services to Medway Council & Gravesham Borough Council.

The Chartered Institute of Internal Auditors (CIIA) defines internal auditing as: an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Audit & Counter Fraud Shared Service combines this role with working alongside the councils to manage their fraud risk, including work to prevent, detect and investigate fraudulent activity committed against the councils. The team also acts as the Single Point of Contact between both authorities and the Department for Work & Pensions Fraud & Error Service for their investigation of Benefits Fraud.

In accordance with the Public Sector Internal Audit Standards (the Standards), the Head of Audit & Counter Fraud provides Members with Update reports detailing the work and findings of the team. The Standards also require that the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

2. Opinion of the Chief Audit Executive

The Accounts & Audit Regulations 2015 require local authorities to ensure that they have: *a sound system of internal control which— (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.* The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

In my capacity as Chief Audit Executive, with responsibility for the provision of internal audit services to the council, it is my opinion that Medway Council's framework of governance, risk management and system of internal control is adequate and effective, and contributes to the proper, economic, efficient and effective use of resources in achieving the council's objectives.

This opinion is based on the results of all work carried out by the Audit & Counter Fraud Shared Service for Medway from the preparation of the Annual Internal Audit Report 2015-16 in June 2016 to the date of this report. My opinion is therefore limited to the risk areas considered in the services and functions that have been subject to review in the year.

The Audit & Counter Fraud Team has carried out all internal audit work in line with the Public Sector Internal Audit Standards and in accordance with our Quality Assurance & Improvement Programme.

While it has been identified that the authority has mainly established adequate internal controls within the areas subject to review during 2016-17, there are areas where compliance with existing controls should be enhanced or strengthened or where additional controls should be introduced to reduce the risk of loss to the authority. Where such findings have been made, recommendations have been made to management to improve the controls within the systems and processes they operate. Follow up arrangements are in place to ensure that appropriate action is taken to address recommendations made, and the results of all work completed reported to the Finance & Audit Committee in accordance with the Audit & Counter Fraud Charter.

3. Independence

The Audit & Counter Fraud Charter was approved by Medway's Audit Committee in March 2017 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.

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.

4. Resources

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 (13.6FTE) 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.

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.

As of 31 March 2017, the net staff days available for Medway for 2016-17 amounted to 1,214 days and 1,016 days (84%) were spent on productive audit and counter fraud work. Of this productive time, 49% was spent on audit assurance and consultancy work, while 51% was spent on pro-active counter fraud and investigations work. The current status and results of all work carried out are detailed at section 5 of this report.

The first year of the new shared service has seen team members move into multidisciplinary roles with all staff being responsible for delivering both audit work and counter fraud. Members of the team started the year working in their former disciplines and then over a transitional period, work from the new discipline was introduced. Learning and development needs and objectives were 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. Away day team meetings have taken place every other month, and all team members have had 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.

5. Results of planned Audit & Counter Fraud work

The Audit & Counter Fraud Plan 2016-17 for Medway was approved by the Audit Committee in March 2016. The Plan was intended to provide a clear picture of how the council would use the Audit & Counter Fraud resources, reflecting all work planned for 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.

Arrangements to monitor the delivery of planned work is built into the team's processes with individual officer time recording data feeding into an automated performance monitoring workbook; this tracks the performance of the team against the shared service work-plan as a whole and enables the supervisory staff to plan and support officers to deliver their individual work plans.

During the course of the year the plan was amended to take into account changes in resource levels, operational risk levels and objectives of the organisation. Members agreed revisions to the original plan for 2016-17 to remove planned reviews of grant payments to voluntary organisations and customer contact – financial assessments.

The tables below provide details of the work from 2015-16 that was finalised in 2016-17, the progress of work undertaken as part of the 2016-17 annual plan and the results of investigative work completed. An update on progress with the 2017-18 plan is also provided.

In response to a request from Members of the Finance & Audit Committee at Gravesham, this report provides additional information for each review reflecting the number of days allocated to each review and the number of days actually spent on the review once finalised. It should be noted that 2016-17 was the first year that officers in the team were able to calculate and monitor how the time they spent on each review compared to the resource budget allocated, and it has naturally taken time for the team to learn this new skill. It should also be noted that in some instances, the scope of work agreed with the client was in excess of what could be delivered within the resources allocated on the plan; should this instance arise in 2017-18 the Update reports will reflect where the day allocations for a review have been changed.

2016-17 Internal Audit Assurance work (items in italics detailed in previous update reports)

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
Core governance and financial systems assurance work					
1	<i>Corporate governance</i>	15	3.8	<i>Final report issued</i>	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – Medway Council’s Annual Governance Statement (AGS) provides a fair representation of the Authority’s governance arrangements. 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 were:</p> <ul style="list-style-type: none"> • <i>Scope of responsibility</i> • <i>The purpose of the governance framework</i> • <i>The council’s governance framework</i> • <i>Review of effectiveness</i> • <i>Governance: key areas of focus.</i> <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. Opinion: Strong.</p> <p>Overall opinion: Strong. Recommendations: none.</p>
2	Risk management framework	13	6.9	Draft report with client for consideration	<p>The review considered the following Risk Management Objectives:</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	<i>Purchase ledger</i>	13	11.5	<i>Final report issued</i>	<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>

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					<p>The review found that effective measures are in place for the council's creditors to be set up on the Purchase Ledger system and to be paid accurately and in a timely manner. Security measures are generally in place to prevent fraud and error within the Purchase Ledger system; however, a need was identified for authorised signatory lists to be reviewed and updated on a periodic basis. Opinion: Strong.</p> <p>Overall opinion: Strong. Recommendations: two medium priority. Recommendations related to a review of authorised signatories and processing of payments.</p>
4	Council tax	13	21.4	Final report issued	<p>The review considered the following Risk Management Objective (RMO): RMO1 – Arrangements are in place to appropriately administer Council Tax Discounts, Disregards & Exemptions.</p> <p>The review found that the discounts, disregards and exemptions available to tax payers have been appropriately determined and information is readily available on each and how to apply. Arrangements are in place for applications and supporting evidence to be received & appropriately stored however instances were found where the relevant disregard or exemption had not been applied. Work is currently being carried out to update the existing procedure notes in place following the recent appointment of new staff. Arrangements exist for awarded discounts, disregards and exemptions to be reviewed on a daily, monthly and rolling basis, which includes the NFI checks.</p> <p>The review found that a £70 fine is advertised on the council's website for when tax payers fail to notify changes to circumstances, however it was advised this is not being applied routinely and only when deemed appropriate. Opinion: Sufficient.</p> <p>Overall Opinion: Sufficient. Recommendations: Three medium priority and one low priority. Recommendations related to updating of procedures, S.13a applications being processed within target time scales, reviews of discounts and exemptions and application of civil penalties.</p>
5	Asset management	8	17.4	Draft with client for consideration	<p>The review considered the following Risk Management Objectives: RMO1 – Arrangements are in place to manage and account for the council's assets.</p>

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6	Housing rents	13	10.2	Final report issued	<p>The review considered the following Risk Management Objective: RMO1 – Appropriate arrangements are in place to monitor and take action against current and former rent arrears within Medway Housing Stock.</p> <p>The review found that appropriate arrangements are in place to monitor rent arrears and action is taken to recover current and former rent arrears within Medway’s Housing Stock. Expert benefit advice is provided by a dedicated team to help tenants who have rent arrears and to help prevent rent arrears occurring. Opinion: Strong.</p> <p>Overall opinion: Strong. Recommendations: none.</p>
7	Project management	13	17.4	Final report issued	<p>The review considered the following Risk Management Objectives: RMO1 – Management of projects across the council is effective.</p> <p>Prior to the start of the council’s digital transformation programme, the council’s approach to project management was based around best practice from the Office of Government Commerce (OGC) including their PRINCE2 methodology, as well as good practice highlighted by the Improvement and Development Agency (IDeA). Project management guidance on the intranet is still based around that style. A previous audit on change management identified a number of specific considerations which are not covered in the toolkit; it was agreed that an annex covering these areas would be appended to the toolkit, but this has not been put in place. Guidance states that as soon as the project mandate has been produced and agreed by Directorate Management Teams (DMT), the Officer Project Board and project owner can determine the type of project and establish the right level of project management using the project management toolkit. This toolkit aims to standardise the basic process for project management and achieve a consistency of approach and best practice across all council departments. It also aims to provide new project managers with an understanding of the main components required to successfully manage a project throughout the project lifecycle.</p> <p>As part of the delivery of the council’s digital transformation programme, it has been agreed that digital transformation requires agile project/programme management. Research suggests that organisations</p>

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					<p>that successfully deliver transformation quickly often go through cycles of “learn, design, do” and this forms the basis of agile project management at the council. This has been underpinned by a service roadmap and technical roadmap which will give practical opportunities for change. A number of projects have been identified for this process and are currently underway. The Transformation Board oversees this with the Transformation Operational Group managing the project work streams, programme budget and recovering savings and efficiencies identified through the programme.</p> <p>Both styles of project management require approval by different levels of council management and Members at various stages of the process. As agile project management is currently focussing on the digital transformation programme, it has not been rolled out across the council and so the larger capital projects are still following the PRINCE2 style methodology. Opinion: Sufficient.</p> <p>RMO2 – Based on a sample of projects selected throughout the council we will review arrangements to ensure that appropriate governance and project management processes are in place.</p> <p>For the three projects reviewed during the audit, they all followed a project management methodology including governance and reporting requirements. One project included following the procurement gateway process which has similar stages to the project management toolkit. Another was connected to organisational change as a result of the need to make budget savings and followed the relevant policy along with processes similar to those in the project management toolkit. Unfortunately it was not possible to review any one of the digital transformation projects from start to finish and reliance in this audit is based upon reviewing documents etc. for a number of the digital projects that are currently underway. Opinion: Sufficient.</p> <p>Overall Opinion: Sufficient. Recommendations: One high priority recommendation in relation to adding change management details to the project management toolkit and one medium priority recommendation in relation to extending project management information on the intranet to include more detail regarding agile methodologies.</p>

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8	Treasury management	13	15.2	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - An appropriate Treasury Strategy Management is in place. A Treasury Management Strategy Statement is in place which is in line with CIPFA guidelines. Arrangements are in place to ensure this is reviewed mid-year and end of the year.</p> <p>RMO2 - Key controls are in place to manage the appropriate investment of funds. There are robust procedures in place to ensure investments are only with approved counterparties. Documentary evidence of all transactions demonstrates controls to segregate duties are in place to minimise the risk of fraud. Access to the on-line banking system (Bankline) is restricted and the level of access granted is dependent on the role of the officer. Records of staff with access to the Treasury system require regular review to ensure only appropriate staff have access.</p> <p>Opinion: Strong. Recommendations: One low priority. Recommendation relates to a process to review staff access to Bankline.</p>
9	Income collection	13	9.3	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – Arrangements are in place to ensure payments received from online payments are accurately accounted for. Most services can be paid online. Those that cannot are already part of the council’s transformation project that is running over a three year period to ensure all services can be paid for online, under one payment portal. This coincides with a system transfer from Worldpay to SagePay cash collection systems. Payments are promptly allocated to the correct accounts and ledger codes and regular reconciliation takes place for verification. Access to SagePay and WorldPay systems is through a robust request system. However, users are only deleted when an account is shown as disabled and the person is confirmed as having left the authority. The ICON system is supposed to disable an account after 30 days of inactivity. Audit testing was unable to confirm conclusively whether this does occur</p>

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					and therefore cannot provide assurance. There is no policy in relation to refunds and no written procedures for staff to follow, although staff verbally confirmed they were aware that refunds should only be made to the same cards from which they were received. Opinion: Needs Strengthening. Overall Opinion: Needs Strengthening. Recommendations: One high priority and one low priority. Recommendations related to the creation of written procedures for refunds and a refunds policy.
10	Payroll	13	11.2	Final report issued	The review considered the following Risk Management Objectives: Risk management Objective One: Arrangements are in place to calculate and pay staff salaries effectively. The review found that appropriate documentation was retained to verify all starters, leavers, and changes in circumstances tested. While arrangements are in place for these to be authorised by a valid authorised signatory, minor omissions were identified through audit testing and the authorisation arrangements are currently under review to improve this. The review found that extensive arrangements are in place in order to ensure that staff salaries are calculated and paid accurately, including a range of exception reporting to validate significant additional allowances & deductions, and any changes to bank details. Overall Opinion: Strong. Recommendations: One medium priority, one low. Recommendations relate to the improvement of the authorised signatory process and the administration of user profiles.
11	<i>Grant payments to voluntary organisations</i>				<i>Item removed from Plan</i>
Corporate risks assurance work					
Finances					
12	Human Resources self service	20	9.1	Final report issued	The review considered the following Risk Management Objectives: RMO1 – Arrangements are in place to ensure only valid claims for payment are authorised through HR Self Service. The authorisation of payments through self-serve is linked to specific

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					<p>posts rather than to personnel. Authorisation for these posts must be granted by Assistant Director or above.</p> <p>Audit testing found 35% of the posts in the sample tested did not have evidence of appropriate authorisation.</p> <p>Post holders authority to approve payments is delegated to them via senior management. The delegated post holder can in turn delegate their authority or responsibilities to any other member of staff. There are no arrangements in place to ensure these members of staff are aware of their roles and responsibilities regarding authorisation of payments.</p> <p>Opinion: Needs Strengthening.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: One High priority, one Medium priority and one Low priority relating to electronic approval processes, staff delegations and subsequent notifications of roles and responsibilities.</p>
13	Medway Norse Governance	13	14.9	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – Governance arrangements in place are effective to ensure the delivery of quality services and value for money through Medway Norse.</p> <p>The review found that there are clear roles and responsibilities set out to govern the Medway Norse Joint Venture, however there is a lack of clarity around these roles among the wider council staff. There is a clear core contract, supported by specific SLAs for the services delivered by the Joint Venture.</p> <p>Arrangements are in place for variations to the contract to be agreed between the council and the Joint Venture, however these have not always followed the process set out in the core contract.</p> <p>Arrangements are in place to monitor performance information provided by Medway Norse, and improvements have been made to the communication of financial information during the last year.</p> <p>Overall Opinion: Sufficient. Recommendations: two high priority, two medium, one low. Recommendations relate to providing clear information on Medway Norse to all staff, and regularly communicating with staff on the outcomes of the JV. Recommendations were also made to review SLAs in place to ensure they are sufficiently clear, and</p>

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					ensure any variations are agreed in line with the contract.
14	Homelessness – Temporary Accommodation	18	20.8	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – Suitable temporary accommodation options are available.</p> <p>The review found that there were suitable temporary accommodation options available and the re-introduction of the use of council owned properties had been thoroughly considered and agreed by members. One third of properties used for temporary accommodation were not being actively monitored by the property inspection team to ensure that the properties met the current legislative requirements. Opinion: Needs Strengthening.</p> <p>RMO2 – All persons placed in temporary accommodation meet the eligibility requirements and all placements are in accordance with government guidelines.</p> <p>The review found that all persons placed in temporary accommodation did meet the eligibility requirements and all placements are in accordance with government guidelines.</p> <p>The council were usually able to find suitable temporary accommodation without having to use more expensive B&B options. Opinion: Sufficient.</p> <p>RMO3 – There are arrangements in place to ensure costs in respect of temporary accommodation are managed.</p> <p>The overall budget for temporary accommodation was monitored regularly by the Housing Strategy Manager and his team.</p> <p>The review found clients were all completing housing benefit applications and some were being assessed for the ability to make extra contributions towards the cost of their temporary accommodation. However even with these arrangements in place recovery of this extra contribution was not being effectively monitored. Opinion: Needs Strengthening.</p> <p>Overall opinion: Needs Strengthening. Recommendations: Two high priority and three medium priority. Recommendations relate to records for temporary accommodation properties, LOCATA records, means assessments and confirmation of accommodation letters.</p>
15	Customer contact – financial				Item removed from plan

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
	<i>assessments</i>				
Children's social care					
16	Fostering – payments to carers	20	7.4	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RM01 – The budget for foster carer payments is appropriate RM02 - An appropriate framework is in place for foster carer payments RM03 - Payments to foster carers are accurate and appropriately processed
17	Adoption & fostering – expenses claims and other related expenditure	13	15.4	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RM01 - The budget for expenses and other related payments within Fostering and Adoption is appropriate. RM02 - An appropriate framework is in place for the payment of fostering and adoption expense and other related payment claims. RM03 - Expense and other related payment claims received in regard to fostering and adoption are appropriately processed.
Keeping vulnerable young people safe and on-track					
18	Child sexual exploitation	13	1.3	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RM01: Appropriate arrangements are in place to prevent and identify Child Sexual Exploitation in Medway. RM02: Appropriate monitoring of referrals is conducted. RM03: Appropriate arrangements are in place for inter-agency working.
Adult social care transformation					
19	Adult social care – assessments & reviews of financial support	18	6.8	Final report issued	The review considered the following Risk Management Objectives: RM01 – Effective arrangements are in place for Adult Social Care Financial assessments and reviews. The review found that the council's website provides a huge amount of advice & information regarding Adult Social Care. Overall, effective arrangements are in place for Adult Social Care financial assessments to be carried out for new service users. Weaknesses were however

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					<p>identified in relation to the verification of financial information when conducting assessments for service users who are already in receipt of care services. In addition, although it states in the Charging Policy that all financial assessment visits are carried out within 14 days; audit testing found that 38% of assessments carried out in 2016-17 exceeded this timescale. Robust procedures are in place to ensure that financial assessment reviews are carried out on an annual basis; however similar weaknesses were identified in relation to arrangements for verifying a service user's ongoing financial circumstances, in particular where the service user is in receipt of benefits.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: Two high priority, two medium, one low. Recommendations relate to monitoring timescales to ensure assessment visits are carried out in a timely manner, using credit checks to prevent fraud, scanning appeal letters received onto Frameworki and asking staff to declare any interests. One recommendation relating to monitoring changes of circumstances was rejected on the grounds of practicality due to limited available resources.</p>
20	Advocacy				Item removed from plan
21	Safeguarding adults				Item removed from plan
Government changes to local authority responsibility for schools					
22	Allowance for schools work	55	42	Final report issued	<p>A risk assessment of the schools remaining in Medway's control resulted in the selection of the following schools for review in 2016-17: All schools were subject to a review against the following Risk Management Objectives:</p> <p>RMO1 – provide assurance that the school has appropriate mechanisms in place to ensure it is in a sound financial position and that there are no material probity issues.</p> <p>Bligh Federation – Final report issued The data reviewed has indicated a number of control weaknesses that expose the school to risks of fraud and processes need to be tightened along with segregation of duties. Advice was given to the newly</p>

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					<p>appointed Acting Head Teacher and Office Manager who intends to implement new procedures to improve controls.</p> <p>Overall Audit Opinion: Weak. Recommendations: Four high priority relating to petty cash, adjusting account deficits prior to Academy transfer, finance policy and cancellation of credit card. One medium priority relating to processes for purchase orders.</p> <p>Wainscott Primary – Final report issued The data reviewed did not indicate significant cause for concern. Advice was given to the newly appointed School Business Manager who intends to implement new policies and procedures to improve controls. In the absence of any current concerns both parties agreed audit would revisit the school in 2017-18 to provide assurance the new controls were working and sufficient. Overall Opinion: Needs Strengthening. Recommendations: None</p> <p>St. Michael’s RC Primary – Final Report Issued The data reviewed did not indicate significant cause for concern. It has been recommended that the continual payment to a teacher on a self-employed basis is reviewed but the Business Manager advises that this is already being dealt with. In the absence of any current concerns both parties agreed audit would revisit the school in the future. Overall Opinion: Strong. Recommendations: One high priority relating to payment of a self-employed teacher.</p> <p>St. Thomas More RC Primary – Final report issued Governance The review found St Thomas More R.C. Primary School has arrangements and procedures in place to ensure it is run effectively. The school has appointed a board of governors, created a finance policy and also set up an asset register and keeps records regarding declarations of interest. Regular meetings are held with its board of governors regarding the curriculum, business premises, finance and personnel matters.</p>

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					<p>Payroll St Thomas More R. C. Primary School has procedures in place to check and monitor its payroll and staff timesheets for changes, including hours, post or role. Audit testing identified no 'ghost' employees.</p> <p>Purchasing & Payments There is no segregation of duties in respect of the school credit card. Testing found an approved signatory also responsible for the reconciliation of statements. Audit testing also found that in the 2016 financial year, the school only raised purchase orders for 31% of goods ordered. Testing did establish that the school has used school funds for the purchasing of staff tea & coffee, whilst 'aggregated spending' also needs to be monitored for best value.</p> <p>Overall Opinion: Sufficient. Recommendations: Two medium and three low priority relating to authorized signatories, purchase orders, aggregated spending, school asset register records and ending the purchasing of staff tea & coffee.</p> <p>Hilltop Primary – Final report issued The data reviewed did not indicate any cause for concern. It has been recommended that further independent checks are introduced with regard to the asset register, petty cash and credit card reconciliations to add further transparency to these areas.</p> <p>Overall Opinion: Strong. Recommendations: Two medium priority and one low priority relating to declarations of interest, independent checking of petty cash and credit card statements and annual independent checks of the asset register.</p>
Delivering Regeneration					
23	Regeneration	15	33.7	Fieldwork complete, draft report with client for consideration	The review considered the following Risk Management Objectives: RMO1: Arrangements are in place to deliver regeneration projects effectively in line with good governance.

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
24	Heritage assets – maintenance & preservation	15	19.7	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – Heritage buildings are maintained and preserved.</p> <p>A property register is in place which includes details of the main heritage buildings and identifies their responsible officer. Responsibility for the three heritage buildings covered by a Local Management Agreement (LMA) with English Heritage - Rochester Castle, Upnor Castle and Temple Manor has been allocated, however it is currently unclear who is responsible for managing and inspecting structures such as the Roman and Medieval City Walls.</p> <p>Although condition surveys have been carried out in the past, there does not appear to be a mechanism in place for ensuring that maintenance and repairs highlighted by the condition surveys are followed-up. In addition, it is understood that due to budget constraints, the council is not in a position to undertake major maintenance and conservation work without securing funding from another source.</p> <p>Procedures are in place for some responsive repairs and maintenance to be undertaken under the Medway Norse FM Services contract; there is however uncertainty as to what is covered in the contract and what maintenance and repairs must be managed by individual service areas. It is understood that the “buildings” budgets previously held by service areas for use on maintenance/repairs were transferred to Medway Norse for the FM Services contract; therefore, service areas do not currently have the budget to carry out maintenance/repairs not covered by the contract.</p> <p>The Medway Norse FM Services contract does not currently stipulate any special conditions relating to the upkeep of heritage buildings (although other contracts do include this information) and as such there is a need to ensure that work is carried out in accordance with relevant legislation and guidance. In addition, repair and maintenance work carried out is not, in all instances, scheduled taking into account the operating model of the building. Opinion: Needs Strengthening.</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					Overall Opinion: Needs Strengthening. Recommendations: five high priority and three medium priority. Recommendations relate to responsible officers, ongoing viability of councils management of Heritage assets, maintenance and repairs, costs analysis of Medway Norse FM services contract, training for Norse officers and communication between Norse and service areas.
25	Tourism	13	9.2	Final report issued	<p>The review considered the following Risk Management Objectives: RMO1 – Effective arrangements are in place for the management of tourism within Medway.</p> <p>The review found that council’s commitment and strategy for Tourism is set out through the Directorate Plan for Regeneration, Culture, Environment and Transformation, the Council Plan, the Destination Management Plan, Service Plan and the Cultural Strategy Plan to ensure the council corporate objective; Medway – ‘A place to be proud of’ is met.</p> <p>Appropriate partnership working is conducted to promote tourism within Medway, however this is not supported by signed current Service Legal Agreements detailing what is included within membership fees paid to partners. The review found that there are no arrangements in place to formally document decisions made in relation to which projects are to be undertaken and why. There is no record of the reasons for expenditure with partners in connection to agreed projects, although it is noted that the costs are met from funding.</p> <p>Tourism is not included in the corporate risk register due to its limited budgets. While the risks associated with individual projects appear to be known to the staff involved, no risk registers are maintained for those projects.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: Three High priority. Recommendations relate to improving documentary evidence of joint working conducted between Medway Council and third parties, and for service level agreements or contracts to be held for all third party joint working.</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
Procurement & tendering					
26	Procurement	20	7.8	Final report issued	<p>The Audit & Counter Fraud Team carried out periodic sample checks of compliance with Public Contracts Regulations 2015 & council Contract Procedure rules.</p> <p>Audit testing has found that there are procedures in place to prevent numerous payments being made to single suppliers; however this is reliant on manual checks being carried out. Little evidence has been identified that single suppliers are being repeatedly used; however weaknesses were identified in relation to the creation of new suppliers being supported by a signed new supplier form scanned onto Integra.</p> <p>Overall Opinion: Sufficient. Recommendations: Three medium priority relating to creation of new supplier forms, creation of accounts on Integra and consideration of 'purchase to pay' technology.</p>
27	Waste management – refuse collection & recycling	13	9.5	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - Arrangements are in place to monitor the performance and manage the council's waste management contractors.</p> <p>Waste Management monitor data on contractor performance on a monthly and yearly basis. This data includes details of amounts of waste collected and where waste is disposed. This enables Waste Management to ensure the amount sent to landfill falls within national targets and new options for this waste continues to be explored. Opinion: Strong.</p> <p>RMO2 – Procedures are in place to respond to performance issues with waste management contractors.</p> <p>Waste Management have rigorous systems in place to ensure performance issues are highlighted with the relevant contractor. This combined with good working relationships with the main contractor, means issues are dealt within deadlines and the Waste Management team have not had a need to issue penalties for failure in performance or missed targets. Opinion: Strong.</p> <p>RMO3 – All payments are made in accordance with council procedure to ensure they are recorded on the general ledger, including contract penalties where appropriate.</p> <p>Evidence is available to show payments are processed and recorded</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					appropriately. Contract penalties have not been necessary as good relationship with the contractors have been established to deal with all issues as they arise. Opinion: Strong. Overall Opinion: Strong. Recommendations: None.
Business continuity & emergency planning					
28	Emergency planning	12	10.9	Final report issued	The review considered the following Risk Management Objectives: RMO1 - The council has in place effective Emergency Planning procedures. The review found that the council has an effective Major Emergency Plan in place. Relevant officers have been made aware of their roles in the case of an emergency; with contingencies provided should available staff change during the emergency. The plan is subject to rigorous testing on a regular basis both internally and externally. The methods used in the testing ensure that the plan is continually refined to meet the ever changing needs of the council and local area. Opinion: Strong. Overall Opinion: Strong. Recommendations: Two low priority relating to communicating emergency plans to all staff and use of the intranet to list officers who can authorise implementation of officers on standby.
Data & information					
29	Information requests	13	16.9	Final report issued	The review considered the following Risk Management Objectives: RMO1 – Arrangements are in place for the council to assess and respond to information requests in accordance with the Freedom of Information Act (FoIA), Environmental Information Regulations (EIR) and the right to Subject Access (SAR) given by the Data Protection Act. The review found that guidance relating to making information requests is available on the council’s website although this could be enhanced by including further information as indicated in the Information Commissioner’s Office (ICO) good practice guidance. Section 19 of the Freedom of Information Act 2000 requires all public authorities to whom the Act applies to adopt and maintain a publication scheme which outlines what information is routinely available and where to find it. Although the council has a publication scheme, it is out of date and includes incorrect information and broken website links.

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>The Information Governance Team consists of two full-time officers and one Manager (shared role with Gravesham Borough Council); relevant practitioner qualifications are held. There are named points of contact and data handlers within the council who are responsible for supplying the required information to the Information Governance Team; it is unclear if data handlers have been trained, although it has been agreed that all council staff will receive data protection training. Subject Access Requests (SARs) relating to social care requests are responded to by a nominated social care practitioner who is also responsible for redacting third party information from responses.</p> <p>Procedure notes that reflect current legislation are available for the information requests covered in the review, although these could be enhanced by including details of the escalation process and also process information. The council's customer relationship management system (LAGAN) is used to record all information requests and allocate a reference number. It is also used to record and monitor progress/completion towards responding to requests and the outcome for Fol/EIR requests.</p> <p>Legislation stipulates that Fol/EIR requests should be responded to within 20 days and SARs within 40 days. The council has percentage targets for compliance in accordance with those recommended by the Information Commissions Office. Sample testing indicated targets are being met for Freedom of Information and Environmental Information Regulation requests but are substantially being missed for SARs. Performance figures are reported to CMT on a quarterly basis.</p> <p>Arrangements are in place for the refusal of information requests in accordance with legislative guidance and this was evidenced.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: One high priority recommendation, five medium, one low. Recommendations relate to reviewing the process for responding to Subject Access Requests to improve compliance with target response times, improving the information provided on the council's website, developing and enhancing existing procedure notes, providing training to all staff involved in handling information requests and improving the information reported to senior management.</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
30	Cyber security	13	9.5	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – Access to the council’s network is secure</p> <p>The council is part of the Public Sector Network which provides a secure network for all local authorities. For the network to remain connected, the council must comply with the Code of Connection, which is defined by Government accreditors and contains recognised good practice. On an annual basis, the council must undergo an assessment carried out by external auditors.</p> <p>As part of the Code of Connection users must be aware of the ICT policies and guidelines in place. These can be found on the ICT intranet pages, and include the ICT Security Policy and procedures. As part of the induction process, line managers have a responsibility to ensure that any new staff, temporary staff, contractors and consultants are made aware of these policies and guidelines.</p> <p>To ensure that the ICT Security Policy is read and accepted by new users, the NetConsent application automatically presents the policy when users email addresses are created.</p> <p>Line managers are responsible for completing ICT forms in relation to new starters, change of role and leavers. Audit testing identified users who no longer had a need to access the network, which could compromise security should users still be in possession of a remote working token.</p> <p>The council uses an automated intrusion, detection and protection device to identify potential security breaches and there is a process in place for investigating and reporting incidents.</p> <p>Overall Opinion: Sufficient. Recommendations: Three high priority relating to the removal of users access to the network and one medium priority relating to reviews of ICT policies, procedures and intranet pages.</p>

2015-16 Internal Audit Assurance work completed in 2016-17 (items in italics detailed in previous update reports)

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
	<i>Adoption Services</i>	<i>Final report issued</i>	<p><i>The audit considered the following Risk Management Objective (RMO):</i> <i>RMO1 – Allowances relating to adoption and special guardianship are not appropriately reviewed.</i></p> <p><i>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.</i></p> <p><i>Opinion: Weak. Recommendations: three high, one medium priority.</i></p> <p><i>Overall opinion: Weak.</i></p>
	<i>Bank Account Management</i>	<i>Final report issued</i>	<p><i>The audit considered the following Risk Management Objective (RMO):</i> <i>RMO1 – Key controls exist for accurate and prompt bank reconciliations to be carried out.</i></p> <p><i>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</i></p>

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
			<p><i>timely basis in practice.</i></p> <p>Opinion: Sufficient. Recommendations: one low priority.</p> <p>Overall opinion: Sufficient.</p>
	<p><i>Innovation Centre Medway</i></p>	<p><i>Final report issued</i></p>	<p><i>The audit considered the following Risk Management Objectives (RMO):</i></p> <p>RMO1 – An appropriate application process is in place.</p> <p><i>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.</i></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><i>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.</i></p> <p>Opinion: Needs Strengthening. Recommendations: one high, two medium priority.</p> <p>Overall opinion: Needs Strengthening.</p>
	<p><i>St Mary’s Island School (Income & Expenditure)</i></p>	<p><i>Final report issued</i></p>	<p><i>This audit formed part of the council’s programme of financial probity reviews, and sought to provide assurance on the overall financial management of the school.</i></p> <p><i>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</i></p>

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
			<p><i>this apparent shortfall. The audit did not identify any further probity issues but agreed an action plan to strengthen current arrangements.</i></p> <p><i>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.</i></p>
	Leisure Memberships	Final report issued	<p><i>The audit considered the following Risk Management Objectives (RMO):</i></p> <p><i>RMO1 – Arrangements are in place for sufficient sign up procedures and eligibility checks on applications.</i> <i>The council has a formal process for the setting of membership fees, with charges being set as part of the annual budget setting process and advertised on the council's website and in leisure facilities, however the website included a fee for a membership type not included in the budget setting report. Arrangements are in place to sign up new members including eligibility for any discounted memberships and agreement of payment terms. During the course of the audit the service introduced checks to ensure all members on age related memberships (i.e. youth) remained eligible or the membership type was amended and it is understood this checking will be expanded to other membership types.</i></p> <p><i>Opinion: Sufficient. Recommendations: One high priority, one medium priority.</i></p> <p><i>RMO2 – Financial processes and procedures are appropriate to ensure correct collection and recording of income due.</i> <i>Arrangements are in place to collect membership income, predominantly via direct debit but also by cash, cheque and cards and recent previous audit work has provided positive assurance over the cash handling arrangements at all of the leisure sites. Arrangements are in place to collect direct debit payments and to update Member accounts where direct debit collections fail, and members are prevented from accessing the facilities until their membership fees are paid. Audit testing identified data quality issues in the membership database caused by a known issue with the software that the service are working with ICT to resolve. There are not arrangements in place to reconcile membership records to records of income received and due to the data quality issues with the database, it is not currently possible</i></p>

Ref	Activity	Current status	Opinion, summary of findings & recommendations made
			<p><i>to demonstrate that all income due has been collected; however audit testing did not identify any evidence to suggest any income was missing.</i></p> <p>Opinion: Needs Strengthening. Recommendations: One high priority, one medium priority, one low priority.</p> <p>RMO3 – The security of premises and data may is adequate to prevent misuse. <i>Access to the facilities at Strood and Medway Park Leisure Centres is controlled via a smart swipe entry system and this solution will be used at Hoo once technical issues with the wi-fi have been resolved. At other sites, membership cards are checked against the system to ensure membership is still active before access is granted and spot checks are applied to ensure gym use is appropriate. Access to membership data held on the Clarity database is restricted via logical access controls and hard copy records were found to be stored securely during the review.</i></p> <p>Opinion: Sufficient. Recommendations: Three low priority.</p> <p>Overall opinion: Sufficient.</p>

Counter Fraud work (items in italics detailed in previous update reports)

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
Counter Fraud Assurance Work					
37	<i>Right to Buy</i>	15	23.3	<i>Final report issued</i>	<p><i>The review considered the following Risk Management Objectives:</i></p> <p>RMO1 – There are adequate policies and procedures in place to support the Right to Buy process. <i>The review found legislation, guidance and policies in place which guide housing staff and tenants through the entire process of Right to Buy. Staff comply with their duties in accordance with the Anti-Money Laundering policy but would benefit from more awareness of the policy and training, where appropriate, to understand the role they play in preventing money laundering.</i></p> <p>Opinion: Strong.</p> <p>RNO2 – Arrangements are in place to verify the legitimacy of Right to Buy applications.</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>Evidence is available to show there are sufficient processes in place which are being followed. All cases tested had eligibility checks carried out including credit checks, internal system checks and tenancy history. Officers verify tenant identity documentation as part of the eligibility process. The lack of training or awareness of security features for identity documents presents a risk that false documents are verified as genuine. Information in the application process is fully recorded but use of the Capita & Idox systems will improve the way in which information is recorded and retained.</p> <p>By registering a charge on a property there is a control in place to prevent applicants using the Right To Buy discount to purchase a cheap property and sell it quickly for a profit. The council do not receive assurance land registry have placed the charge as instructed.</p> <p>Opinion: Sufficient.</p> <p>Overall opinion: Sufficient. Recommendations: One medium priority and six low priority relating to staff awareness of money laundering regulations, ID verification, document retention, charges recorded on land registry and use of computerised systems.</p>
38	No Recourse to Public Funds				Please see entry in table: Other consultancy services including advice & information, on page 38 of this report.
39	Disabled Parking	20	24.9	Final report issued	<p>The review considers the following Risk Management Objectives:</p> <p>RMO1: Policies and procedures in place to assist in the prevention of blue badge fraud; including application, appeal, and return procedures.</p> <p>While there are procedures in place for the blue badge application process, a number of weaknesses were identified that could allow fraud to occur.</p> <p>Photocopy identification documents accepted rather than certified copies and acceptable forms of identification are not restricted to photographic ID. Department for Transport (DFT) guidance on best practice advises applicants should provide 'certified' photocopies of photographic ID and that the authority should provide a list of persons it would accept as a certifying person.</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>There is no employee declaration of interest for relationships to badge holders, which exposes the authority to a risk of fraud and also leaves the employee open to accusations of misconduct.</p> <p>There is no follow up process when executors/relatives of blue badge holders do not respond to requests for the return of blue badges.</p> <p>Opinion: Needs Strengthening.</p> <p>RMO2: Arrangements exist for detecting blue badge fraud / misuse.</p> <p>Members of the public are provided with information on how to report fraud on the council website.</p> <p>Parking Enforcement Teams already work pro-actively to identify blue badge misuse/abuse and fraud. However, this only targets individuals who are spotted as they park or return to their vehicles. The addition of on street checks for badges displayed in parked vehicles will increase detection rates. Opinion: Sufficient.</p> <p>RMO3: Policies and procedures in place to support enforcement action being taken against those who commit blue badge fraud; including use of relevant legislation.</p> <p>There is no policy relating to enforcement against blue badge fraud and misuse and no template letters available to issue to offenders as an alternative to prosecution.</p> <p>Some procedures exist for civil enforcement officers in the form of technical notes but they are out of date and are not accessible to the officers on a shared drive and while officers have undertaken training it has been identified that refresher training may be required for some.</p> <p>All these factors undermine the authority's position for effective enforcement. Opinion: Needs Strengthening.</p> <p>RMO4: Arrangements to deter individuals from fraudulently obtaining or misusing blue badges.</p> <p>The authority does have active deterrents in the form of warnings on application declarations, notification that data will be shared for the prevention and detection of crime and leaflet's advising of the proper use</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>issue with blue badges.</p> <p>Publicity campaigns to raise awareness and publicity of successful enforcement have also proven to be effective deterrents for other authorities. Opinion: Sufficient.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: Six high priority, six medium priority and one low priority. Recommendations related to strengthening of procedures to increase fraud prevention, detection and deterrent based on best practice examples from other local authorities, including the creation of an enforcement policy.</p>
Counter fraud proactive work					
40	Action plan for each stream of Fighting Fraud Locally Strategy: Housing Tenancy fraud Council Tax fraud Procurement fraud Grant fraud Employee fraud	50	82	Completed	<p>In addition to the Counter Fraud Assurance reviews details above, the team undertook a pro-active exercise linked to the 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>The exercise identified 315 people that had changed address since applying for housing and details of all those identified were passed to the housing department for a decision on eligibility and this produced the following results;</p> <ul style="list-style-type: none"> • 4 people were either suspended or removed from the waiting list between the data extraction and matching phase, • 21 applicants remained eligible for the housing register, and • 290 people identified as no longer being eligible to bid for housing and were broken down as; <ul style="list-style-type: none"> ○ 145 applicants identified as having secured privately rented accommodation, ○ 133 applicants housed by Housing Associations, ○ 7 applicants already housed by Medway (records updated), and ○ 5 applicants housed by charitable institutions. <p>The notional saving of £4,000 for a waiting list removal was only</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>considered where an applicant had been actively bidding and therefore trying to benefit from their deception or failure to report a change in circumstances. Only 13 of the applicants identified had bid on properties between January 2016 and June 2016 when the data extraction was completed. This represented a notional saving of £52,000.</p> <p>Unfortunately, due to a delay in the processing of the information by the housing department, it was not felt appropriate to pursue any criminal action against the 13 applicants noted above. The removal of almost 300 people from the waiting list is still considered to be a success.</p>
41	Data matching exercises, including National Fraud Initiative and Kent Intelligence Network	45	43	Completed	<p>Data submissions for the 2016-17 exercise were completed in October 2016 and the matches were received at the end of January 2017. Matches were distributed to relevant departments for checking to take place in order to eliminate any false positives and instructions issued to report any concerns over suspected fraud to the Audit & Counter Fraud Team.</p> <p>The first batch of data matches were received from the Kent Intelligence Network (KIN) in December 2016. This compared Single Persons Discount records against the Social Housing Waiting List. A number of false positives were identified and unfortunately, none of the matches resulted in any fraud or error being identified.</p> <p>Matches relating to NNDR, where the same bank account was being used to pay rates on more than one property with small business rate relief, were released in March 2017. These matches are to be checked by the Business Rates Team. All the findings so far have been fed back to the KIN to be factored into enhancements and improvements for future data matching.</p>
42	Fraud awareness	9	9	Completed	<p>Good practice indicates that effective awareness starts at the top, so a Members awareness briefing was prepared for September 2016. Unfortunately this was cancelled due to a lack of attendees.</p> <p>Due to the training needs of officers in the team, it was determined that the delivery of fraud awareness sessions should be deferred to 2017-18. The awareness training will commence with a presentation to Members and a similar presentation is planned for the wider management teams at both authorities.</p>

Reactive Investigations work: external investigations

Area	Number of cases concluded	Summary of results	Cashable Savings	Notional Savings	Prevented Losses
Tenancy	2	Two allegations of possible non-residence/sub-letting were investigated following reports from members of the public but on both occasions the residence of the tenant were confirmed.			
Right to Buy	1	A Right to Buy application as subject to investigation by Audit & counter Fraud as it was suspected that the tenant was not resident at the tenancy address. There was no evidence to suggest that the tenant was not in occupation, however, concerns regarding potential undeclared work were passed to the Department for Work and Pensions as the tenant was in receipt of Universal Credit.			
Housing Allocations	3	<p>Three full investigations were completed into applications for housing, two were linked to referrals from staff, while the third was linked to a KIN data match. Two cases resulted in waiting list removals due to changes in circumstances.</p> <p>In addition to the cases investigated, 290 people were removed from the waiting list in connection with the internal data match previously mentioned.</p> <p>Notional savings are only considered where the individual has tried to benefit from their deception and are actively bidding to secure a property.</p>		£52,000 (Includes the £52,000 identified as part of the data matching exercise)	
Council Tax (including Council Tax Reduction)	56	<p>During 2016-17, 56 cases directly relating to council tax reduction, discounts or exemptions have been completed. As a result, those cases have identified additional Council Tax liabilities with a total value of £34,213.</p> <p>The changes to future awards of council tax reduction and the removal of discounts, such as single person discount, also mean that the Council Tax liability for</p>	£38,647		

Area	Number of cases concluded	Summary of results	Cashable Savings	Notional Savings	Prevented Losses
		future years was also increased by £4,434 This gives a total value of £38,647			
NNDR	2	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. 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.			
Blue Badge	29	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. The majority of cases 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.		£500	
Concessionary Passes	1	A referral was received after a bus pass application was received in the name of a deceased person. The application was not processed due to effective fraud prevention. As the application was made online it is not possible to establish who submitted it and as such, no formal action could be pursued.			
No Recourse to Public Funds	9	The team have been assisting with verification of some applications. While no fraud has been identified to date, one application has been refused as a result of the additional verification. Another application check also led to the removal of an SPD from the council tax account, creating additional liability of £1,176.89			

Area	Number of cases concluded	Summary of results	Cashable Savings	Notional Savings	Prevented Losses
Procurement	3	<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>Concerns were also raised by the procurement team regarding multiple payments to an organisation. Enquiries confirmed that all payments were accurate and accounted for with no evidence to suggest fraudulent activity.</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>			
Social Care	2	<p>Two cases were referred as officers had concerns over the declared circumstances of individuals seeking financial assistance/housing. Enquiries showed no evidence to suggest that false information had been provided or that circumstances had been manipulated and in one of the two cases, evidence obtained was passed to Social Services to assist in verification for a financial assessment.</p>			
Education	1	<p>A matter relating to early years funding for a nursery was</p>			

Area	Number of cases concluded	Summary of results	Cashable Savings	Notional Savings	Prevented Losses
Funding		<p>referred for investigation after it became apparent that the number of children declared in the funding application was significantly inflated.</p> <p>Unfortunately, as there had been an online submission with no way to confirm who had actioned it, it was not possible to pursue an individual for criminal action.</p> <p>Steps have been taken by the department to recover monies.</p>			
Benefits	31	<p>While all Benefit fraud investigation work transferred to the Department for Work & Pensions on 1 March 2016, any cases that 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: (items in italics detailed in previous update reports)</p> <ul style="list-style-type: none"> • <i>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.</i> • <i>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.</i> • <i>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.</i> • <i>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</i> 			

Area	Number of cases concluded	Summary of results	Cashable Savings	Notional Savings	Prevented Losses
		<p>surcharge.</p> <ul style="list-style-type: none"> • 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. • Sharon Allard was convicted of Housing Benefit fraud totalling £34,892.21. Sentenced to 26 weeks imprisonment suspended for two years, £750 costs and £80 victim surcharge. • Karen Crittenden was convicted of Housing and Council Tax Benefit fraud totalling £9,253.56. Sentenced to a 12 month community order with 100 hours unpaid work and rehabilitation activity of 20 days, £700 costs. • Tony Barke was convicted of housing and council tax benefit fraud totalling £8,591.75. Sentenced to 6 months curfew between 18:00 - 06:00, £85 			

Area	Number of cases concluded	Summary of results	Cashable Savings	Notional Savings	Prevented Losses
		<p>costs and £60 compensation.</p> <ul style="list-style-type: none"> • Katie Pittock was convicted of housing benefit fraud totalling £8,389.27. Sentenced to £900 Fine, £350 Costs, £20 Victim Surcharge. • Ben Roper was convicted of housing benefit fraud totalling £5,963.23. Sentenced to £180 Fine, £500 Costs, £20 Victim Surcharge. • Christine Struips <p>The remaining 16 cases related to those not deemed to be suitable for prosecution following a review by legal services or administrative closures of cases that were passed to SFIS as part of the migration. In the cases where no further criminal action was taken, overpayments were raised and appropriate action taken to recover the debts.</p>			

Reactive Investigations work: internal investigations (items in italics detailed in previous update reports)

Allegation	Investigation activity & recommendations
<p><i>Received through Whistleblowing policy (and reported in annual Whistleblowing Report). Several allegations made relating to a council officer:</i></p> <ul style="list-style-type: none"> • <i>Mismanagement of clients finances through personal associations with external service providers.</i> • <i>Theft of a deceased client's property.</i> • <i>Completing time sheets with hours that had not been worked in order to accrue</i> 	<p><i>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.</i></p> <p><i>The investigation concluded the following:</i></p> <ul style="list-style-type: none"> • <i>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.</i> • <i>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.</i> • <i>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.</i> <p><i>Two high priority recommendations were agreed with senior management of the service:</i></p> <ul style="list-style-type: none"> • <i>A tendering process to select service providers in accordance with the service areas own policies and procedures.</i> • <i>Remedial management action with the employee to ensure that registers are signed upon arrival and leaving for health and safety purposes and record keeping.</i>

Allegation	Investigation activity & recommendations
<i>sufficient hours for days off under the flexible working scheme.</i>	
<i>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.</i>	<i>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. 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. Disciplinary action is continuing based upon the evidence gathered.</i>
<i>Theft of Markets income.</i>	<i>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. 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. Disciplinary action followed and (despite resigning) the employee was dismissed for gross misconduct after failing to attend the hearing.</i>
<i>Cash Theft – Medway Park</i>	<i>Disciplinary investigation was already active when the team were contacted and the employee had already tendered her resignation. There was insufficient information available to determine whether thefts had taken place.</i>
<i>Corruption</i>	<i>Employee accused of taking personal payments in exchange for the cancellation of parking tickets. No evidence was found to suggest that tickets had been cancelled for those named in the allegations although potential inappropriate conduct was identified and this was reported to the Service Manager for action.</i>

Reactive Internal Audit Assurance work (items in italics detailed in previous update reports)

Activity	Current status	Opinion, summary of findings & recommendations made
Markets Income	Final report issued	<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>

Activity	Current status	Opinion, summary of findings & recommendations made
		<p>The review found that appropriate procedures exist for income collected to be recorded via receipt books and income sheets. Inconsistencies were however identified in the extent to which records are completed in full and there is a general lack of control over the issuing and storage of receipt books, hindering the identification of discrepancies. Opinion: Needs Strengthening.</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>The review found that while appropriate arrangements exist for market fees to be collected, there is currently insufficient segregation of duties in this process. In addition, a secure facility has not been provided for cash collected to be stored and prepared for banking, leaving officers vulnerable to attack, theft and allegations of corruption, and in contravention of the council’s insurance policy. Opportunities were identified for the utilization of existing cash storage and collection facilities. Opinion: Weak.</p> <p>RM03 – Income collected is banked intact on a timely basis.</p> <p>The review found that there is not currently a consistent approach in place to ensure that cash income is banked in a timely manner. Arrangements also do not exist to confirm that all income collected has been banked intact and as such, a risk is posed that banking variances may not be identified, investigated or reported to management. Opinion: Weak.</p> <p>Overall Opinion: Weak. Recommendations: Three high priority and two medium priority relating to receipt books and training for officers in their use, checking of receipts and income sheets by line managers, consideration of a cashless payment system and independent checks to ensure all income is banked.</p>
Medway Action for Families – Certification of grant claim to the government’s Troubled Families Programme.	May 2016 Claim verified September 2016 Claim verified June 2017 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 and September 2016 claims and work is underway to verify the June 2017 claim.
<i>Social Care Petty Cash</i>	<i>Final report issued</i>	<i>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.</i>

Other consultancy services including advice & information (items in italics detailed in previous update reports)

Client service area	Services provided
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Client service area	Services provided
<i>No Recourse to Public Funds (NRPF)</i>	<p><i>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.</i></p> <p><i>The team were then involved in a project group on this topic that produced a report to the council's Corporate Management Team making recommendations for a single team to provide a more robust joined up approach to NRPF cases across Children and Adults Directorates.</i></p> <p><i>An assurance (opinion) review will considered for inclusion 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.</i></p>
<i>SEND Transport review</i>	<p><i>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 assessed the arrangements in place and reported to senior management with an action plan to enhance the control processes. A working group has been established, chaired by Cllr Andrew Mackness and the team retain a role in this group, which will oversee the implementation of planned improvements to the administration and delivery of this function.</i></p>
<i>Purchase cards</i>	<p><i>The Audit & Counter Fraud Team are working with colleagues across Finance and Category Management to consider the wider use of purchase cards to reduce administration costs of low value payments.</i></p>
<i>Security & Information Governance Group</i>	<p><i>Audit & Counter Fraud have a representative on this corporate working group, which supports the council in identifying its information needs, management and risks.</i></p>

6. Quality Assurance & Improvement Programme

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 Medway's Audit Committee in March 2017.

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; arrangements are in place for officers in the team to carry out checks to ensure the accuracy of the calculation of performance data reported to Members for 2017-18 onwards.

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.

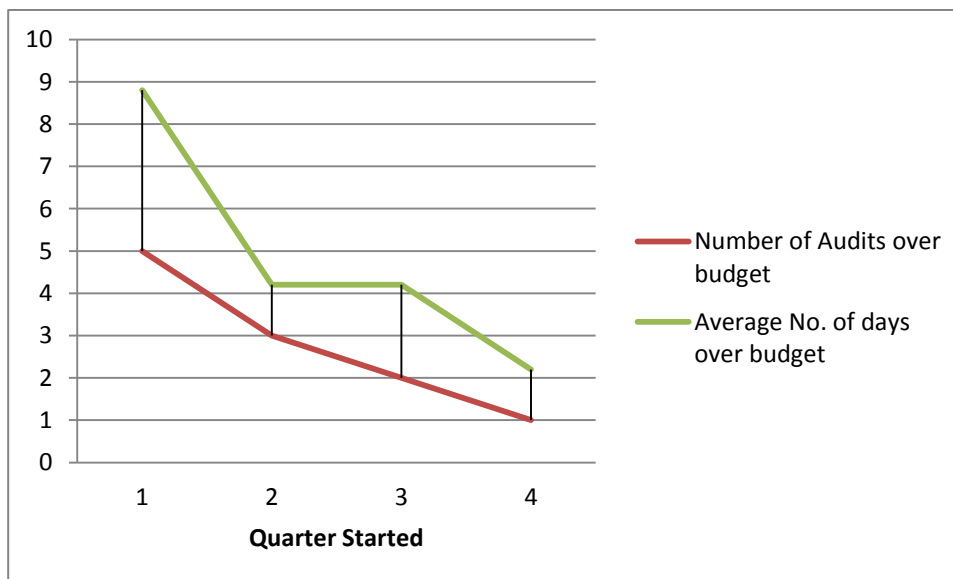
Ref		Target	Outturn for 2016-17
Financial			
A&CF 1	Total cost of the Audit & Counter Fraud Service (compared to the 2015-16 baseline year budgets)	N/A	Medway cost £364,881 (2015-16 budget £522,060)
A&CF 2	Average cost per assurance review	N/A	£4,704 (28 reviews averaging 16 days)
A&CF 3	Cost per A&CF day	N/A	£294
A&CF 4	Value of fraud losses identified, by fraud type (cashable & non-cashable)	N/A	£38,647 Council Tax £52,000 Housing Waiting List (Notional Saving) £500 Blue Badge (Notional Saving)
Internal Process			
A&CF 5	Compliance with PSIAS	100%	A robust self- assessment was carried out in November 2016. The PSIAS include a total of 255 specific requirements; of these 34 were not relevant at the time of the assessment. Of the remaining 221 requirements; <ul style="list-style-type: none"> 154 were fully met and 47 were partially met (91%) 20 were not met (10%) The team prepared an action plan to address the gaps in compliance, and it is anticipated that the team will be fully compliant when the External Quality Assessment is carried out in 2017-18.
A&CF 6	Proportion of available resources spent on productive work	90%	83.7%
A&CF 7	Proportion of productive work time spent on assurance work	75-85%	44.2%

Ref		Target	Outturn for 2016-17
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: 55.8% 4.4% 8.3% 43.1%
A&CF 9	Investigator average caseload	10	10
A&CF 10	Proportion of agreed plan: Delivered (fieldwork completed) Underway (fieldwork current)	95%	95.1% 0%
A&CF 11	Proportion of assignments completed within allocated day budget	90%	37.9%
A&CF 12	Proportion of recommended actions agreed by client management	90%	98%
A&CF 13	Proportion of recommended actions implemented by agreed date	95%	100%
A&CF 14	Number of recommendations agreed that are: a) not yet due b) implemented c) outstanding	N/A	0 36 0
A&CF 15	Number of referrals received	N/A	136
A&CF 16	Number of investigations closed	N/A	151
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	97 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%	16.7%
Customer			
A&CF 22	Customer satisfaction with	95%	N/A – full client survey in development – planned

Ref		Target	Outturn for 2016-17
	overall service		for 2017-18.
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 in development –2017-18.
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.
A&CF 25	Customer satisfaction with individual review/assignment	95%	100% positive response to post review client surveys

A&CF 11 - Proportion of assignments completed within allocated day budget

As part of the work plan monitoring it was noted early in the year that a number of the pieces of work undertaken were not being completed within their allocated time budgets. This potential impact on the amount of time taken to complete work had been anticipated due to the need for learning as part of the new roles being undertaken by a large number of officers in the team. The issue was monitored continually throughout the year and while the Head of Audit & Counter Fraud acknowledges that the number of assignments completed within the allocated budget was well below target, the average number of days over allocated budget has steadily decreased over the course of the year, as demonstrated in the table below, which shows the number of audits that were over budget and the average number of days over budget against the quarter of the year where the review was commenced;



The evidence suggests that the ongoing training has had a positive impact over the course of the year as while the target was not achieved, the direction of travel indicates the target will be met in 2017-18. The objectives agreed with each individual officer through the appraisal process for 2017-18 include a specific target around work being completed within allocated timescales as the expectations are now higher given the increased levels of knowledge.

7. Follow up of agreed recommendations

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.

Following the launch of the new shared service, the follow up arrangements in place at both Medway and were reviewed and a revised process, consistent across both sites, was agreed with senior management. 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 table below sets out the position on all recommendations made.

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
Disciplinary investigation – Client Financial Affairs	Opinion: N/A Two recommendations agreed as a result of the investigation. Recommendations related to compliance with council tendering procedures and implementing a signing in/out process for staff.	Two implemented – action plan completed
Bank Account Management	Opinion: Sufficient One recommendation agreed: low risk Recommendation related to reviewing access to Bankline.	One implemented – action plan completed
Corn Exchange	Opinion: Sufficient Seven recommendations agreed Recommendations relate to checking stock take reports, using till reports to check stock, training staff to provide more cover to manage stock take, staff to ensure accuracy of till reconciliation, ensure the Catersoft booking system is utilised to report on bookings and income.	Six implemented One outstanding recommendation – the service are in ongoing discussions with HR on how to resolve the issue without increasing staffing costs.
Adoption Services	Opinion: Weak Four recommendations agreed Recommendations relate to carrying out annual reviews, retaining support plan documentation on Frameworki, guardians should be made aware at the outset of any conditions to receive	Two implemented Two remaining recommendations with proposed implementation for the end of July 2017

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
	payment, evidence to be retained on Frameworki of payments authorised to be made and all explanations for changes to payments.	
Innovation Centre	Opinion: Needs strengthening Nine recommendations agreed: Four high and four low risk Recommendations relate to carrying out and retaining records when assessing suitability of new tenants, tenants to be charged for lost entry fobs, checks to ensure those in the building are the known tenants, tenants to pay invoices by direct debit, a process to regularly review and monitor tenant debt and a recovery process.	Nine implemented – action plan completed
Right To Buy	Opinion: Sufficient Seven recommendations agreed: One medium priority and six low priority Recommendations relate to retaining signed copies of notice confirming the right to buy, making further enquiries with applicants on how they intend to fund the purchase, obtaining confirmation from legal that a 5 year restriction of sale notice is placed on a property when sold.	Six implemented One remaining recommendations with proposed implementation end of June 2017
Homeless	Opinion: Needs strengthening Five recommendations agreed: Two high and three medium risk Recommendations relate to ensuring accommodation used by the homeless team have been inspected and are appropriately certified with gas/electric certificates, matching information on spreadsheets and Locata to ensure records are clear what actions are required with each applicant, assessment of all homeless applicants to determine their ability to pay towards accommodation where appropriate, letters to be sent to homeless applicants and copies retained reminding of their agreement to make financial contributions, create a record and	Five implemented – action plan completed

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
	process to monitor applicant contributions.	
Purchase Ledger	Opinion: Strong Two recommendations agreed: Two medium risk Recommendation relates to the authorised signatory list and confirming some types of payment can be processed without a purchase order	Two implemented – action plan completed
Markets	Opinion: Weak Five recommendations agreed: Three high and two medium risk Recommendations relate to have processes in place to control the use of income receipt books, management checks of receipt books, the safe & secure storage of income if a cashless system cannot be implemented, management checks to ensure income records match banking records.	Five implemented – action plan completed
Council Tax	Opinion: Sufficient Four recommendations agreed: Three medium and one low risk Recommendations relate to the application of a penalty where appropriate, processing hardship applications within the set target, review of procedure notes, visits to empty properties receiving an exemption.	Two recommendations due, two implemented. Two remaining recommendations due for implementation later in 2017-18.
Blue Badge	Opinion: Needs strengthening Thirteen recommendations agreed: Six high, six medium and one low risk Recommendations relate to cancellation of badges using the death list, improving the evidence of ID accepted, completion of staff declarations of interest, making use of council tax records to verify address details, work with registry office for the return of badges when dealing with a relative of the deceased, increased use of on street checks to verify genuine blue badges are in use, creation of an enforcement policy and procedures, the issue of warning letters to those suspected in misuse of badge allegations,	Two recommendations due, two implemented. Eleven remaining recommendations due for implementation throughout 2017-18.

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
	publicity campaign to raise public awareness of non-acceptable badge use.	
St Michaels RC School	Opinion: Strong One recommendation agreed: High risk Recommendation relates to employment of a teacher on a contract basis rather than self-employed.	One implemented – action plan completed
Bligh Federation School	Opinion: Five recommendations agreed: Four high risk, one medium. Recommendations relate to ensuring accounts are up to date prior to transfer to academy, updating the finance policy, reconciliation of petty cash, lost credit card to be cancelled, use of purchase orders for all appropriate transactions.	Two implemented Three remaining recommendations due for implementation throughout 2017.

Update on 2017-18 Audit & Counter Fraud Planned Work

Ref	Activity	Day budget	Days Used	Current status	Opinion, summary of findings & recommendations made
4	NNDR Administration & Reliefs	15		Terms of Reference being prepared for agreement with client	
7	Bank Reconciliation	15		Terms of Reference being prepared for agreement with client	
14	Customer contact centre – Adult Education Funding arrangements	15		Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 – Arrangements are in place to ensure the planning arrangements for the programme of learning are effectively designed with funding sources in mind and provide value for money.
16	Off Payroll Engagements	15		Terms of Reference being prepared for agreement with client	
24	Deprivation of Liberty Arrangements			Terms of Reference being prepared for agreement with client	
26	Medway integrated community health equipment service	15		Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 – The budget for the contract is monitored regularly and all payments made are accurate and appropriately authorised. RMO2 – There are processes in place to ensure the service is being delivered in accordance with the contract and is giving the council value for money.
29	Common housing register	15		Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 – Arrangements are in place to ensure council properties are allocated appropriately.

Ref	Activity	Day budget	Days Used	Current status	Opinion, summary of findings & recommendations made
31	Parks & Open Spaces	15		Terms of Reference being prepared for agreement with client	
32	Medway Commercial Group - Governance & accounting	15		Terms of Reference being prepared for agreement with client	
37	Information Governance (Data protection)	15		Terms of Reference being prepared for agreement with client	
41	Counter fraud review – staff expense reimbursement	15		Terms of Reference being prepared for agreement with client	
43	Procurement compliance	15		Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Medway Council's Construction Professional Services Consultancy (CPSC) Framework is being used in the correct way.

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>