
Audit & Counter Fraud Update

Medway Council

For the period:

01 September 2017 – 30 November 2017

1. Introduction

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

2. Independence

- 2.1. The Audit & Counter Fraud Charter was approved by Medway's Audit Committee in March 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.
- 2.2. Given its responsibilities for counter-fraud activities, the Audit & Counter Fraud Shared Service cannot provide independent assurance over the counter-fraud activities of either council. Instead independent assurance over the effectiveness of these arrangements will be sought from an external supplier of audit services on a periodic basis.

3. Resources

- 3.1. The Audit & Counter Fraud Shared Service Team reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. The team has an establishment of 14 officers (13.6FTE) consisting of the Head of Audit & Counter Fraud, the Audit & Counter Fraud Manager (post currently vacant), two Audit & Counter Fraud Team Leaders, nine Audit & Counter Fraud Officers (one post currently vacant) and one Audit & Counter Fraud Assistant. All members of the team started in these posts with the launch of the shared service on 1 March 2016.
- 3.2. The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 64% for Medway with the remaining 36% for Gravesham. At the time the Audit & Counter Fraud Plans for 2017-18 were prepared, this establishment was forecasted to provide a total of 1,666 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 1,029 days.
- 3.3. Net staff days available for Medway for the period 1 September to 30 November 2017 amounted to 283.7 and 249.6 days (88%) were spent on productive audit and counter fraud work. Of this productive time, 70% was spent on audit assurance and consultancy work, while 30% was spent on counter fraud and investigations work. The current status and results of all work carried out are detailed at section 4 of this report.

- 3.4. As mentioned in the first update report of 2017-18, long term sickness within the team and the resignation of one member of staff has created a significant gap in resources. A proportion of this gap is now being filled by agency employee and the costs are being met from vacancy savings created by the current vacancies within the team.

4. Results of planned Audit & Counter Fraud work

- 4.1. The Audit & Counter Fraud Plan 2017-18 for Medway was approved by the Audit Committee in March 2017. The Plan is intended to provide a clear picture of how the council will use the Audit & Counter Fraud Shared Service, reflecting all work to be carried out by the team for Medway during the financial year including the council's core finance and governance arrangements, operational assurance work, proactive counter fraud work, responsive investigations and consultancy services.
- 4.2. The tables below provide details of the work from 2016-17 that has been finalised during the reporting period, the progress of work undertaken as part of the 2017-18 annual plan during the period and the results of investigative work completed.

2016-17 Internal Audit Assurance work completed in 2017-18 *(Items in Italics have been reported previously)*

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
	<i>Asset management</i>	8	20.7	<i>Final report issued</i>	<p>The review considered the following Risk Management Objective: <i>RMO1 – Arrangements are in place to manage and account for the council’s assets.</i></p> <p>The review found that adequate Asset Registers are in place containing accurate, relevant and up-to-date information, along with the current value for the Land & Building, Finance, Highway and Housing registers. Opinion: Strong Overall opinion: Strong. Recommendations: none.</p>
	<i>Risk management framework</i>	13	30	<i>Final report issued</i>	<p>The review considered the following Risk Management Objectives: <i>RMO1 – Effective arrangements are in place for the management of operational risk in line with the Risk Management Cycle in the council’s Strategy.</i></p> <p>The review found information is available on the intranet to help Service Managers understand their role in the Risk Management Framework and how to produce a service plan. Seven of the nine services in the sample reviewed provided evidence of their service plan. One provided a reasonable explanation why they did not produce one, but evidence of a service plan was not provided from one service. All nine services knew how to identify, analyse & prioritise risks. Service Managers demonstrated inconsistencies in their risk rating, the templates they use to report risks and the majority were not using Covalent, which supports the opinion of some Service Managers that more training is required. Opinion: Needs Strengthening Overall opinion: Needs Strengthening. Recommendations: Four medium priority. Recommendations related to providing training and introducing arrangements to ensure all services complete service plans and appropriately scored risk registers consistently.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
	Fostering – payments to carers	20	-	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – The budget for foster carer payments is appropriate.</p> <p>Budgets are calculated from the current cost of service based on all the children in placement as at the point in time of allocating the final budget in January and is agreed by Full Council annually in February. Fostering budgets for 2016-17 were overspent, but are looked at as part of placement costs as a whole and savings made by stepping down the level of placement from residential to fostering or external fostering to in-house is encouraged wherever possible. An extra investment has been agreed this year to expand the in-house fostering provision to be able to reduce external provision via Independent Fostering Agencies (IFAs), which is in the region of 73 percent more costly. The joint framework agreement with KCC for IFA provision is also being retendered in 2017, and will lead to an updated framework matching the council’s needs. Budget monitoring is undertaken with reporting to the Children and Adults Directorate Management Team, Cabinet and Full Council.</p> <p>Opinion Sufficient.</p> <p>RMO2 - An appropriate framework is in place for foster carer payments.</p> <p>The service commissioned an independent consultant to review specific areas of the fostering service; one of these being finance/payments and a number of issues were identified that led to a working party being put in place to try and address these. This culminated in a review of payments that is currently underway.</p> <p>The current maintenance payment is in line with the government minimum allowance; the council also currently pays a reward element and a grant payment for birthday, Christmas and holidays. However, as found in the consultant’s review and acknowledged by the service; rates of pay for in-house carers are inconsistent and the basis of which cannot always be determined.</p> <p>Payments to Independent Fostering Agencies are set by the provider. The placement is agreed based on the needs of the child and the commissioning team negotiate with an independent provider in certain circumstances for a reduction in fees, particularly if the child is going to</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>be there long term. Opinion: Needs Strengthening</p> <p>RMO3 - Payments to foster carers are accurate and appropriately processed.</p> <p>The social care management system (Frameworki) is used to record payment details for in-house foster carers and approval is needed by a senior manager to make changes to payments. Placements and payments via IFAs are managed by the Access to Resources Team who maintain a separate spreadsheet of payments and check invoices against this before payment is made.</p> <p>Currently it is the role of social workers to verbally advise in-house foster carers of any changes to individual payments. Social workers are also responsible for initiating the payments process and for advising placement officers when placements end. Delays in these processes can mean that carers are either not paid on time or are overpaid if the placement ends. Payments are currently made two weeks in advance to in-house foster carers. There is process in place to retrieve overpayments, but should carers not take another placement it can be more difficult to retrieve overpayments. Carer agreements do not currently include information about carer responsibilities in regard to overpayments. Opinion: Needs Strengthening</p> <p>Overall Opinion: Needs Strengthening. Recommendations: Three high Priority and two medium priority.</p> <p>Recommendations relate to ensuring that, following the payment review, a consistent approach to awarding carer payments is put in place by producing policies and procedures and training staff in applying them and reviewing payments annually, reminding social workers of the need to manage any payment changes in a timely manner and for the service to look into making payments in arrears rather than in advance, including carer responsibilities regarding overpayments in carer agreements, confirming any changes to in-house carer payments in writing, and recording IFA cost details onto the child's record in Frameworki.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
	Adoption & fostering – expenses claims and other related expenditure	13	-	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - The budget for expenses and other related payments within Fostering and Adoption is appropriate.</p> <p>Budgets are calculated from the current cost of the service based on all the children in placement as at the point in time of allocating the final budget in January and is agreed by Full Council annually in February. Budget monitoring is undertaken with reporting to the Children and Adults Directorate Management Team, Cabinet and Full Council. The ‘expenses’ subjective codes reviewed during this audit were not overspent for foster care but they were for adoption although overall the account code was not overspent. Should it be necessary to place adoptive children outside of the authority, then a fee is payable, although this is often counteracted by selling adopters to other local authorities should there not be a suitable placement for them within the authority.</p> <p>Opinion: Sufficient</p> <p>RMO2 - An appropriate framework is in place for the payment of fostering and adoption expense and other related payment claims.</p> <p>The service commissioned an independent consultant to review specific areas of the fostering service; one of these being finance/payments and a number of issues were identified that led to a working party being put in place to try and address these. This culminated in a review of payments that is currently underway. It was found by the consultant and confirmed by the audit that there is a lack of criteria in relation to what the basis of expense payments is and a lack of policies and procedures exacerbates this. We were advised that it had been a number of years since adoption and fostering panel fees had been reviewed, but this has now been done for the adoption panel and an increase was agreed to bring fees in line with both local and national fees. A review of fostering panel fees is planned. None of the claim forms examined as part of the audit contained anti-fraud declarations which may help to deter fraudulent claims and some did not include a space for an authorised signatory to sign. Opinion: Weak</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>RMO3 - Expense and other related payment claims received in regard to fostering and adoption are appropriately processed.</p> <p>There is an adoption finance manual for staff, although some of the contact information is out-of-date and the foster carer handbook gives details of the claims process. Some of the claim forms also contain guidance. Audit testing found that the time claimed to undertake transport seemed to be excessive and as claims are not checked for reasonableness, payment could be in excess of what it should be. It was found that payments were made in a timely manner and recorded appropriately, although it was not always possible to evidence approval. Audit testing identified a duplicate payment which had been initiated and approved by different people and although it is common practice for invoices to be uploaded onto the social care management system (Frameworki), it was not possible to evidence this had been done on this occasion. The council's purchase ordering system (Web Req) was not used to raise orders which would help to ensure appropriate approval is obtained. Opinion: Needs Strengthening</p> <p>Overall Opinion: Weak. Recommendations: Seven high priority and five medium priority.</p> <p>Recommendations relate to creation of a cost code for the fostering panel, establishing the criteria for expenses, producing policies and procedures, undertaking an annual review of rates, modifying claim forms, spot checking the reasonableness of claims, putting a process in place to ensure duplicate payments are not made and updating the finance manual.</p>
	Child sexual exploitation	13	-	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - Appropriate arrangements are in place to prevent and identify Child Sexual Exploitation in Medway.</p> <p>Prevention and detection of Child Sexual Exploitation (CSE) is the responsibility of all staff at Medway Council and members of the public. Information is available on Medway Council's internet pages with detailed information about the Children's Services Team and CSE. While some awareness training has been delivered to some frontline</p>

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					<p>teams within Medway Council, the slides from which have been made available on the intranet, it has not been provided to all staff who have contact with the public.</p> <p>Medway Council publicises details of Operation Willow, the Kent and Medway CSE awareness campaign, which links into the national 'see something, say something' campaign.</p> <p>Contact details for the team are available on Medway Council's internet and referrals are made via CADS (Children's Advice and Duty Service).</p> <p>Opinion: Sufficient.</p> <p>RMO2 - Appropriate monitoring of referrals is conducted.</p> <p>The Children's Advice and Duty Service (CADS) deal with all referrals relating to children. There is no specific monitoring of data in relation to Child Sexual Exploitation (CSE) referrals that are received. Many referrals received are multi department covering a variety of matters and not necessarily CSE specific.</p> <p>There is no analysis of referrals to assess where they are received from. This means that opportunities to identify areas for further awareness training are not identified.</p> <p>Evidence is not readily available to demonstrate how many referrals have been received or the action taken. Some referrals are passed to other Departments/Agencies but there is nothing retained to justify that the action taken was appropriate. Opinion: Needs Strengthening.</p> <p>RMO3 - Appropriate arrangements are in place for inter-agency working.</p> <p>Medway Council , Kent Police, Kent County Council and health services have come together to form a combined team to tackle the sexual exploitation of children – the Medway Safeguarding Children Board (MSCB). This is a collective resource for Medway providing information, advice and guidance for children and young people, parents and carers, practitioners and volunteers to promote and ensure the safety and wellbeing for children in Medway.</p> <p>Robust procedures are in place for inter-agency working in respect of CSE referrals. Opinion: Sufficient.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>Overall Opinion: Needs Strengthening. Recommendations: Four high priority and one low priority.</p> <p>Recommendations relate to the updating of a briefing note for staff, awareness training for service managers and utilisation of free e-learning via Netconsent, analysis of CSE referrals being recorded and retained - appropriate monitoring of referrals is needed to evidence the work that is conducted and the publication of the operation willow leaflet in Medway Matters.</p>
	Regeneration	15	-	Final Report Issued	<p>The review considered the following Risk Management Objective: RMO1 - Arrangements are in place to deliver regeneration projects effectively in line with good governance.</p> <p>The review found that appropriate approval and financing had been sought for the projects, however concerns were identified around the financial borrowing for the Rochester Riverside Project including the Multi Storey Car Park and how these will be repaid and future funded. A project manager and boards have been established for each project, although issues were found around the management of the project where this is carried out by two individual teams, which highlighted issues around the budget monitoring.</p> <p>The review found that all information relating to a project are held on a dashboard and captures all key information which is limited. A Project Initiation Document is currently used for small projects which captures all key information the risks and objectives. Opinion: Needs Strengthening.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: Five high priority and two medium priority.</p> <p>Recommendations relate to the improvement of governance arrangements, budget monitoring and risk management for Regeneration projects.</p>

2017-18 Internal Audit Assurance work *(Items in Italics were included in a previous update)*

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
Core governance and financial systems assurance work					
1	<i>Finalisation of 2016-17 planned work</i>	20	86.8	Complete	<i>All 2016-17 planned fieldwork has been completed with four reports to be agreed as final.</i>
2	Risk Management (Operational)	15	N/A	Proposal to remove	Scope of work was covered by the risk management framework audit meaning that this has effectively been done already.
3	Data Quality	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Performance data is verified to ensure accuracy. RMO2 - Arrangements exist to ensure the council's decisions are based on sound data.
4	NNDR Administration & Reliefs	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 - Appropriate arrangements are in place for the application of discretionary and mandatory NNDR rate reliefs.
5	Financial Planning	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 - The council will have an ongoing plan to balance the budget in the current year and in future years.
6	Capital Accounting	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 - Arrangements exist for the appropriate accounting of income and expenditure relating to Capital projects.
7	Bank Reconciliation	15	N/A	Not Yet Started	N/A
8	Sundry Debtors	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - There are arrangements in place to administer the council's sundry debtors. RMO2 - Sundry debts are recovered in line with the Corporate Debt Policy. RMO3 - VAT is correctly coded and charged for goods and services on all debtor invoices raised. RMO4 - There is a single customer account capturing all debtors of the Council.

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9	Housing Benefit	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Housing Benefit is appropriately administered and accurately calculated.
10	Ethics	15	N/A	Not Yet Started	N/A
11	Constitution Maintenance	15	N/A	Not Yet Started	N/A
12	Performance Management	15	N/A	Proposal to remove	There is an overlap with the data quality audit already commenced. Scope of this audit will be rolled into the data quality audit and dealt with as one.
13	Responsive assurance work	15	N/A	Underway	In the period 1 September 2017 to 30 November 2017 the team have: <ul style="list-style-type: none"> • Responded to concerns of duplicate payments to suppliers. A review of the payments identified a small handful of instances across a number of officers. Indications suggest genuine reasons to use similar invoice numbers to resolve outstanding payment issues. • Verified Troubled Families grant claims to the Department for Communities & Local Government (DCLG) and assisting in a DCLG audit. • Conducted a review to provide assurance over cash management procedures at the Rochester Community Hub following a theft. The fieldwork has been completed and is currently in quality control.
Corporate risks assurance work					
Finances					
14	Customer Contact Centre – Adult Education Funding Arrangements	15	N/A	Draft report with Client for consideration	The review considered 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.
15	Shared Services	15	N/A	Draft report with Client for consideration	The review considered the following Risk Management Objective: RMO1 - Appropriate arrangements have been put into place to ensure the delivery of shared services projects.

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
16	Off Payroll Engagements	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 - Effective arrangements are in place to review and record Personal Service Company workers.
17	Final Accounts Preparation	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Statutory deadlines for the preparation of final accounts are fully met. RMO2 - All final accounts issues raised by the External Auditor in the 2016/17 final accounts have been formally acknowledged and are being fully addressed and rectified. RMO3 - Final accounts are prepared and kept fully in accordance with the latest CIPFA Code.
18	Coroner's Service	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 - Arrangements are in place to ensure the Coroner's Service has adequate controls in place.
19	Digital Transformation	20	N/A	Proposal to remove	To be completed through attendance at Digital Transformation Working Group.
Children's Social Care					
20	Special Educational Needs & Disabilities Transport	15	N/A	Not Yet Started	N/A
Keeping vulnerable young people safe and on-track					
21	Children's Services - 16-19 Strategy	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 - Effective arrangements are in place to deliver the council's Children's Services 16-19 Strategy.
22	Attendance Advisory Service to Schools and Academies (AASSA)	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objective: RMO1 - Pupil attendance is monitored to identify pupils falling below the required attendance target.
23	Youth Justice	15	N/A	Not Yet Started	N/A

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
Adult social care transformation					
24	Deprivation of Liberty Arrangements	15	N/A	Not Yet Started	N/A
25	Safeguarding Adults	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 - Effective arrangements are in place for the safeguarding of adults in Medway.
26	Medway Integrated Community Health Equipment Service	15	N/A	Draft report with Client for consideration	The review considered 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.
27	Adult Social Care Programme Management Office	15	N/A	Not Yet Started	N/A
Government changes to local authority responsibility for schools					
28	Schools	50	N/A	Fieldwork underway	A risk assessment of the schools remaining in Medway's control has resulted in the selection of the following schools for review in 2017-18: <ul style="list-style-type: none"> • Oaklands Primary • Burnt Oak Primary • Wainscott Primary • St Peters Infants • Crest Infants & Nursery All schools will be reviewed to 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.
Delivering regeneration					
29	Common Housing Register	15	10.77	Final Report Issued	The review considered the following Risk Management Objective: 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
					<p>Housing have an allocation policy available on the public website and the intranet. The Service were already planning to review this policy as it does not relate to the latest Housing Strategy or changes to their operational procedures. There are also procedure notes available for staff to follow and meet the requirements of ISO9001. Each applicant can be identified by a unique reference number but there was one unexplained anomaly referred to the IT provider to investigate. All applicants tested were found to have been sent a letter to confirm their unique reference number and banding. There were several examples to demonstrate applicants were made aware of their responsibility to notify changes in their circumstances to the council as this can affect their banding. All applicants who requested a review of their banding were reviewed within the target time period. Opinion: Needs Strengthening</p> <p>Overall opinion: Needs Strengthening. Recommendations: One high priority and one low priority.</p> <p>Recommendations related to a policy review and updating the date procedure notes are reviewed.</p>
30	Environmental Protection	15	N/A	Fieldwork underway	<p>The review will consider the following Risk Management Objectives:</p> <p>RMO1 - There are appropriate arrangements in place for the effective prevention, detection and deterrent of offences that harm the environment.</p>
31	Parks & Open Spaces	15	N/A	Not Yet Started	N/A
Procurement and savings – capacity & delivery					
32	Medway Commercial Group - Governance & accounting	15	N/A	Not Yet Started	N/A
33	Legal Services	15	N/A	Fieldwork completed, in quality control	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - There are adequate arrangements in place to ensure Medway Council meets its obligation to provide Legal Services to Gravesham Borough Council.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
34	Traded services - Health & Wellbeing	15	N/A	Proposal to remove	Traded service for Health and Wellbeing has not yet been established and therefore no processes/controls to audit at this time.
35	Traded services - Staffing Agency	15	N/A	Not Yet Started	N/A
Business continuity & emergency planning					
36	Business Continuity Planning	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Arrangements are in place to ensure each service has an updated and relevant Business Continuity Plan in place.
Data & information					
37	Information Governance (Data protection)	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Effective arrangements are in place to ensure compliance ahead of the introduction of the General Data Protection Regulation on 25 May 2018.
38	Information Requests	15	N/A	Not Yet Started	N/A
Impact of Welfare Reform					
39	Nil	N/A	N/A	N/A	N/A
Counter Fraud Assurance Work					
40	Client Financial Affairs	15	N/A	Not Yet Started	N/A
41	Staff Expense Reimbursement	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 – Medway Council has adequate arrangements in place to reduce the risk of fraud associated with mileage expense claims. RMO2 – Medway Council has adequate arrangements in place to reduce the risk of fraud associated with non-mileage expense claims i.e. subsistence, accommodation, car parking.
42	Serious & Organised Crime Risk	15	N/A	Not Yet Started	N/A
43	Procurement compliance	15	11.84	Final Report Issued	The review considered the following Risk Management Objectives: RMO1 – Medway Council’s Construction Professional Services Consultancy Framework is being used in the correct way.

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>The Category Management team is responsible for procurement within Medway Council. This is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole life cycle from identification of needs through to the end of a contract. The key objectives of Category Management are to ensure that the appropriate systems, tools, processes and strategic support are provided to client departments to enable them to deliver procurement outcomes.</p> <p>The review found that a Construction Professional Services Consultancy Framework is in place at the council to establish a quick route to market to appoint consultants for works related projects. The Framework was developed in October 2015 and is due to be reviewed this year, with the option to extend for a further two years. The council has awarded framework places to 46 contractors across nine lots, five value bands and 2 locations of work.</p> <p>A Consultancy Framework User Guide is available with detailed information about the procedures for using the Consultancy Framework; training has also been given to relevant managers. Testing found that KPI information is not compiled in all instances and although the framework is being used correctly, it is understood that not all information is being uploaded to the Kent Business Portal; this means that transparency of awards cannot be immediately demonstrated. Opinion: Sufficient.</p> <p>Overall Opinion: Sufficient. Recommendations: Two Medium Priority. Recommendations relate to the Construction Professional Services Consultancy Framework user guide being updated and made available on the intranet and relevant managers being reminded of the correct use of the framework, including maintaining an audit trail and providing KPI information</p>

Proactive Counter Fraud Work

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
47	Data matching exercises, including National Fraud Initiative and Kent Intelligence Network	10	N/A	Not Yet Started	<p>Matches received as part of the 2016-17 National Fraud Initiative exercise were distributed to relevant departments for checking in order to eliminate any false positives and to report concerns over suspected fraud to the Audit & Counter Fraud Team. To date, no referrals have been received in connection with these matches.</p> <p>The KIN project continues but the Board took an executive decision not to extend the contract with the software supplier. Alternative suppliers are now being identified with a view to finding a better fit for the project and it's aims.</p>
48	Fraud awareness	10	N/A	Underway	<p>A Members briefing session took place in September. The presentation applied national statistics at a local level to demonstrate the potential financial impact on Medway Council and its services.</p> <p>Positive feedback was received from all attendees and it is intended that similar sessions will now take place with service managers and then individual service areas.</p>

Reactive Investigations work: external investigations

Area	Number of cases concluded	Summary of results
CTAX	12	In the period of this report, cases linked to fraudulent discounts, exemptions and reductions were closed. These cases have identified additional Council Tax liabilities with a total value of £1,428. They have also identified additional liability of £3,048 for future years.

Reactive Investigations work: internal investigations

Allegation	Investigation activity & recommendations
	The audit & Counter Fraud Team has provided some assistance to HR in the form of disciplinary enquiries but there have been no formal criminal investigations.

Other consultancy services including advice & information

Activity	Opinion, summary of findings & recommendations made
GDPR Steering Group	Audit & Counter Fraud have a representative on this corporate working group, which is overseeing preparations for the implementation of the General Data Protection Regulation in May 2018.
SIGG	Audit & Counter Fraud have a representative on this corporate working group, which supports the council in identifying its information needs, management and risks.
Digital Transformation	Audit & Counter Fraud have a representative on the strand group which links into the council's digital transformation board.
NRPF	The team are working with cross directorate teams to find a solution that best responds to the complex needs of clients with No recourse to Public Funds. One option is the creation of a virtual corporate team utilising the skills and experience of various teams across the council.

5. Quality Assurance & Improvement Programme

- 5.1. The Standards require that: *The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. A Quality Assurance & Improvement Programme (QAIP) has been prepared to meet this requirement.* The Audit & Counter Fraud Shared Service QAIP was agreed by Medway's Audit Committee in March 2017.
- 5.2. The arrangements set out in the QAIP have been implemented with the collection and monitoring of performance data largely automated through the team's time recording and quality management processes. It should be noted that the results recorded below have not been subjected to independent data quality verification; it is planned that officers in the team will carry out checks to ensure the accuracy of the calculation of performance data reported to Members in future.
- 5.3. In line with the QAIP, the team monitor performance against a suite of 25 performance indicators based on the balanced scorecard, covering the four perspectives; financial, internal process, learning & growth and customer. Performance targets have been set for 15 of the 25 indicators however it should be noted that these are for full year outturns; as such outturns at present are not to target levels for the majority of these but are provided for Members information.

Ref		Target	Outturn to end August 2017
Financial			
A&CF 1	Total cost of the Audit & Counter Fraud Service (compared to the 2015-16 baseline year budgets)	N/A	Medway cost £384,393 (2015-16 budget £522,060)
A&CF 2	Average cost per assurance review	N/A	£5,373 (44 reviews averaging 14 days)
A&CF 3	Cost per A&CF day	N/A	£376
A&CF 4	Value of fraud losses identified, by fraud type (cashable & non-cashable)	N/A	£1,428 Council Tax (historic periods) and £3,048 increase in liability for future years.
Internal Process			
A&CF 5	Compliance with PSIAS	100%	91% (based on 16-17 self-assessment)
A&CF 6	Proportion of available resources spent on productive work	90%	88%
A&CF 7	Proportion of productive work time spent on: a) assurance work b) consultancy work	55%	Total 70% 69% 1%
A&CF 8	Proportion of productive time spent on: a) proactive counter fraud work b) reactive counter fraud work	45%	Total: 30% 0% 30%
A&CF 9	Investigator average caseload	TBC	10
A&CF 10	Proportion of agreed plan: a) Delivered (fieldwork completed) b) Underway (fieldwork current)	95%	31% 35%
A&CF 11	Proportion of assignments completed within allocated day budget	90%	100%

Ref		Target	Outturn to end August 2017
A&CF 12	Proportion of recommended actions agreed by client management	90%	100%
A&CF 13	Proportion of recommended actions implemented by agreed date	95%	45%
A&CF 14	Number of recommendations agreed that are: a) not yet due b) implemented c) outstanding	N/A	31 36 44
A&CF 15	Number of referrals received	N/A	15
A&CF 16	Number of investigations closed	N/A	23
Learning & growth			
A&CF 17	Proportion of staff with relevant professional qualification	25%	79%
A&CF 18	Proportion of non-qualified staff undertaking professional qualification training	25%	21%
A&CF 19	Time spent on CPD/non-professional qualification training, learning & development	TBC	21.9 days
A&CF 20	Staff turnover	N/A	14% (2 employees)
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%	0%
Customer			
A&CF 22	Customer satisfaction with overall service	95%	N/A – full client survey in development – planned 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	
A&CF 25	Customer satisfaction with individual review/assignment	95%	5 Surveys returned year to date. Overall satisfaction 100% positive

6. Review of Audit & Counter Fraud Plan

- 6.1 Monitoring of 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. On at least a quarterly basis, a projection of the resources that will be available to the year end is carried out and compared to forecasts for each item of work on the plan to be completed.

- 6.2 The reduction in resources created by the sickness within the team and resignation of an employee, as detailed in section 3 of this report, has prompted a full review of the 2017-18 workplan. In our first update there was a proposal to remove one audit from the plan, this being; item 2, Risk Management (Operational). There was however no formal recommendation put to Members.
- 6.3 Following the full plan review it will be necessary to formally request amendments to the plan. The requested changes and the their reasons are detailed below;
- Item 2, Risk Management (Operational): the scope of work for this review was inadvertently incorporated into the Risk management (Framework) review conducted as part of the 2016-17 plan. As this was only finalised within the first quarter of 2017-18, an opinion has already been delivered.
 - Item 12, Performance Management: the review has a significant overlap with item 3, Data Quality. The Data Quality Audit has already commenced so the additional items from Performance Management will be incorporated into the active review.
 - Item 19, Digital Transformation: after lengthy discussion with the client, it has been decided to deal with this work by means of consultancy and an Audit & Counter Fraud Team Leader will form part of the Digital Transformation Working Group to provide assurance as projects progress. This will continue in 2018-19.
 - Item 34, Traded Services – Health & Wellbeing: The Traded Service for Health and Wellbeing has not yet been established and indications are that it will not be before the end of 2017-18. As a consequence there are no processes/controls to review at this time.
- 6.4 The revisions that are requested above do not fully address the gap in resources and it will likely be necessary to request removal of a further two reviews. Further discussions will take place with clients in order to determine the reviews that are most appropriate for deferral to 2018-19 and a further request will be brought to Members at the next Audit Committee.

7. Follow up of agreed recommendations

- 7.1 Where the work of the team finds opportunities to strengthen the council's risk management, governance and/or control arrangements, the team make and agree recommendations for improvement with service managers. The Standards require that a follow-up process is established: *to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action*. As with all audit work, resources should be prioritised based on risk.

An agreed follow up process is in place, consistent across both councils, whereby service managers are asked to provide an update on the action they have taken towards implementing all audit and counter-fraud recommendations agreed. For all High priority recommendations, service managers are also asked to supply evidence and the Audit & Counter Fraud Team verify this to ensure that the reported action has been taken.

- 7.2 The table below provides an update on the implementation of all recommendations in the recommendation follow up process as of 30 November 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
Adoption Services	Opinion: Weak Four recommendations agreed relating to insufficient arrangements to review financial assessments.	Four recommendations due, all implemented.
Right To Buy	Opinion: Sufficient Seven recommendations, one medium and six low priority. Recommendations relate to increasing staff awareness of Right To Buy fraud, document verification, funding of purchases, retention of signed documents, confirmation that legal charges on a purchased property are applied and use of an existing database to record management information.	Seven recommendations, all implemented.
Purchase Ledger	Opinion: Strong Two medium priority recommendations relating to updates of authorised signatory lists.	Two recommendations, both implemented.
Markets	Opinion: Weak Five recommendations, three high and two low priority. Recommendations relate to arrangements to record, bank and reconcile income.	Five recommendations, all implemented.
Blue Badge	Opinion: Needs strengthening Thirteen recommendations, six high, six medium and one low priority. Recommendations all relate to process improvements.	Thirteen recommendations implemented.
Procurement	Opinion: Sufficient Three medium priority recommendations relating to staff following correct processes for new suppliers.	Three recommendations, all implemented.
Heritage Buildings	Opinion: Needs strengthening Eight recommendations, five high and three medium priority. Recommendations relate to clearer communication of roles and responsibilities in the maintenance of heritage assets.	The service are in discussions with English Heritage. Once these are complete they will provide an update on the recommendations due for implementation.

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
Legal Services – Dunsfold Associates Ltd	Opinion: N/A as consultancy audit review Three high priority recommendations relating to a review of arrangements relating to Dunsfold Associates Ltd position as a contractor.	Three recommendations implemented.
St Michaels RC school	Opinion: Strong One recommendation relating to the resolution of a self-employed teachers status.	The recommendation has been implemented.
Income collection	Opinion: Needs strengthening Two recommendations, one high and one low priority, relating to policy and procedure.	An update on the two recommendations has been requested as part of the latest follow up process.
Council Tax	Opinion: Sufficient Four recommendations, three medium and one low priority. Recommendations relate to reviewing procedural notes, visiting properties with exemptions, processing hardship applications within the agreed time and applying financial penalties where appropriate.	Four recommendations, three implemented and the remaining one is not due for implementation.
Emergency Planning	Opinion: Strong Two low priority recommendations.	The recommendations are not due for implementation.
HR Self Serve	Opinion: Needs strengthening Three recommendations, one high, one medium and one low priority. Recommendations relate to updating user guides, notifying delegated staff of their responsibilities and reviewing the list of posts approved to authorise claims.	Three recommendations implemented.
Bligh	Opinion: Weak Five recommendations, four high and one low priority. Recommendations relate to updating the finance policy, regular reconciliation of petty cash, reconciliation of the school accounts	With the school transferring to an Academy we are not in a position to ensure previous audit recommendations are implemented. The Finance team are reviewing the school's finances to ensure their accounts are in order prior to the transfer.

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
	prior to academy transfer, cancellation of credit card and use of purchase orders.	
Treasury Management	Opinion: Strong One low priority recommendation relating to user access to bankline.	One recommendation implemented.
Cyber Security	Opinion: Sufficient Four recommendations. Three high priority and one medium, relating to reviews of policies & procedures and intranet pages.	Three high priority recommendations have been implemented. The remaining one is not due for implementation until 2018.
Adult Social Care - Financial Assessments & Reviews	Opinion: Needs strengthening Five recommendations, two high, two medium and one low priority relating to monitoring timescales for visits, use of credit checks to prevent fraud, scanning of documentation and completing staff declaration of interests.	Five recommendations, four implemented and one rejected as limited resources made it impractical.
Information Requests	Opinion: Needs strengthening Seven recommendations, one high, five medium and one low priority. Recommendations relate to review of the response process to subject access requests, improving compliance with response times, information on the council's website, improving procedural notes, provision of staff training and improved information reported to management.	An update on the recommendations due for implementation by the end of November 2017 has been requested.
Project Management	Opinion: Sufficient Two recommendations, one high and one medium priority, relating to inclusion of change management on the intranet and as part of the project management toolkit.	An update on the recommendations due for implementation has been requested.
Tourism	Opinion: Needs strengthening Two high priority recommendations relating 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.	The recommendations are not due for implementation.

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
Common Housing Register	Opinion: Strong Two recommendations, one high and one low relating to policy and procedure updates.	The low priority recommendation has been implemented. The high priority recommendation is due for implementation in 2018.
Visitor Information Centre	Opinion: N/A as consultancy audit review Eleven recommendations, seven high priority and four medium relating to improved controls to secure assets and cash income.	Eleven recommendations implemented.
Risk Management Framework	Opinion: Needs strengthening Four medium priority recommendations relating to staff training and ensuring completion of service plans and risk registers.	The recommendations are not due for implementation.
Adoption & Fostering Expenses Claims	Opinion: Weak Seven high priority recommendations to establish policies, procedures, criteria and a checking process for claims. Five medium priority recommendations to update the finance manual and make improvements to the claim forms.	Details of five recommendations implemented by the service have been provided and are under review. The remaining recommendations are not yet due.
Child Sexual Exploitation	Opinion: Needs Strengthening Four high priority recommendations to analyse referrals, provide briefing instructions to staff, provide awareness training to service managers and all other staff.	Three recommendations are due for implementation in 2018. An update for the remaining recommendation has been requested.
Fostering – Payments to Carers	Opinion: Needs Strengthening Five recommendations to put policies and procedures in place to improve consistency in decisions made to award and review payments made to carers.	One recommendation implemented. Work is in progress with another recommendation and the remaining three are due in 2018.
Regeneration	Opinion: Needs Strengthening Five high and two medium priority recommendations to improve governance arrangements, budget monitoring and risk management of projects.	The recommendations are not due for implementation.

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>