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# Audit & Counter Fraud Annual Report 2017-18

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.

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.

In my capacity as Chief Audit Executive, with responsibility for the provision of internal audit services to the council, I am required to provide the organisation, and the Chief Executive, with a statement as to my opinion of the adequacy and effectiveness of the organisation's risk management, control and governance processes. This opinion is intended to support the council's annual governance statement.

In assessing the level of assurance to be given, the following have been taken into account;

- 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 2016-17 in June 2017 to the date of this report,
- follow-up of recommendations linked to audits from previous periods,
- Significant recommendations not accepted by management or acted upon and the consequent risks,
- The effects of any significant changes in the organisation's objectives or systems,
- Matters arising from previous reports to the organisation, and
- The results of work performed by other assurance providers.

Although limited to the risk areas considered in the services and functions that have been subject to review in the year; I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk

management, system of internal control and governance processes.

While it has been identified that the authority has mainly established adequate internal controls within the areas subject to review during 2017-18, 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. Management have accepted responsibility for the implementation of these recommendations and follow up arrangements are in place to ensure that appropriate action is taken. The results of all work completed will be reported to the Audit Committee in accordance with the Audit & Counter Fraud Charter.

**It is therefore 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.**

### 3. Independence

The Audit & Counter Fraud Charter was approved by Medway's Audit Committee in March 2018 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. At the start of the year, the team had an establishment of 14 officers (13.6FTE), made up 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 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.

In August 2017, the Head of Audit & Counter Fraud post became vacant, as did one Audit & Counter Fraud Officer post in September 2017. The Audit & Counter Fraud Manager was appointed as the new Head of Service with effect from 01 November 2018, leaving the Manager post and one officer vacant for the remainder of the year. Two officers were also on long term sick leave for significant periods during the year and an agency employee was hired for a period of three months to supplement resources.

As of 31 March 2018, the net staff days available for Medway for 2017-18 amounted to 1,090 days and 951 days (87%) were spent on productive audit and counter fraud work. Of this productive time, 66% was

spent on audit assurance and consultancy work, while 34% 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.

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 2017-18 for Medway was approved by the Audit Committee in March 2017. 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 2017-18 to remove planned reviews of:

- 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.
- Bank Reconciliation - this was included in the 17-18 plan as a cyclical audit that should occur every three years. There was however an error in the cycle, which did not reflect that the last review took place in 2015-16, meaning that the next review was not due until 2018-19.
- Performance Management - the review has a significant overlap with the audit of Data Quality. Additional items from Performance Management were incorporated into the Data Quality Review.
- Digital transformation - after lengthy discussion with the client, it was decided to deal with this work by means of consultancy and an Audit & Counter Fraud Team Leader became part of the Digital Transformation Working Group to provide assurance as projects progressed.
- Traded Services – Health and Wellbeing - The Traded Service for Health and Wellbeing had not been established and indications were that it would not be before the end of 2017-18. As a consequence there were no processes/controls to review.
- Counter Fraud Review – Serious and Organised Crime Risk - Following consultation with the client, it was established that Kent Police are the lead for such matters.

The tables below provide details of the work from 2016-17 that was finalised in 2017-18, the progress of work undertaken as part of the 2017-18 annual plan and the results of investigative work completed. An update on progress with the 2018-19 plan is also provided.

2016-17 Internal Audit Assurance work finalised in 2017-18 (items in italics have been detailed in previous update reports)

Ref	Activity			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:  <b>RMO1 – Arrangements are in place to manage and account for the council’s assets.</b></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 &amp; Building, Finance, Highway and Housing registers.  <b>Opinion: Strong</b>  <b>Overall opinion: Strong. Recommendations: none.</b></p>
	<i>Risk management framework</i>	13	30	<i>Final report issued</i>	<p>The review considered the following Risk Management Objective:  <b>RMO1 – Effective arrangements are in place for the management of operational risk in line with the Risk Management Cycle in the council’s Strategy.</b></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 &amp; 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.  <b>Opinion: Needs Strengthening</b>  <b>Overall opinion: Needs Strengthening. Recommendations: Four medium priority.</b>  <b>Recommendations related to providing training and introducing arrangements to ensure all services complete service plans and appropriately scored risk registers consistently.</b></p>
	<i>Fostering – payments to carers</i>	20	-	<i>Final Report Issued</i>	<p>The review considered the following Risk Management Objectives:  <b>RMO1 – The budget for foster carer payments is appropriate.</b></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</p>

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					<p><i>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.</i></p> <p><b>Opinion Sufficient.</b></p> <p><b>RMO2 - An appropriate framework is in place for foster carer payments.</b></p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>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 be there long term. <b>Opinion: Needs Strengthening</b></i></p> <p><b>RMO3 - Payments to foster carers are accurate and appropriately processed.</b></p> <p><i>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</i></p>

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					<p>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.</p> <p><b>Opinion: Needs Strengthening</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: Three high Priority and two medium priority.</b></p> <p><b>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.</b></p>
	Adoption & fostering – expenses claims and other related expenditure	13	-	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - The budget for expenses and other related payments within Fostering and Adoption is appropriate.</b></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</p>

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					<p><i>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. <b>Opinion: Sufficient</b></i></p> <p><b><i>RMO2 - An appropriate framework is in place for the payment of fostering and adoption expense and other related payment claims.</i></b></p> <p><i>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. <b>Opinion: Weak</b></i></p> <p><b><i>RMO3 - Expense and other related payment claims received in regard to fostering and adoption are appropriately processed.</i></b></p> <p><i>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 (Framework), it was not possible to evidence this had been done on this occasion. The council's purchase ordering system (Web Req) was not</i></p>



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					<p>used to raise orders which would help to ensure appropriate approval is obtained. <b>Opinion: Needs Strengthening</b></p> <p><b>Overall Opinion: Weak. Recommendations: Seven high priority and five medium priority.</b></p> <p><b>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.</b></p>
	Child sexual exploitation	13	-	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - Appropriate arrangements are in place to prevent and identify Child Sexual Exploitation in Medway.</b></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 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><b>Opinion: Sufficient.</b></p> <p><b>RMO2 - Appropriate monitoring of referrals is conducted.</b></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</p>

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					<p>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. <b>Opinion: Needs Strengthening.</b></p> <p><b>RMO3 - Appropriate arrangements are in place for inter-agency working.</b></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. <b>Opinion: Sufficient.</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: Four high priority and one low priority.</b></p> <p><b>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.</b></p>
	Regeneration	15	-	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p><b>RMO1 - Arrangements are in place to deliver regeneration projects effectively in line with good governance.</b></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.</p> <p>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>

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					<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. <b>Opinion: Needs Strengthening.</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: Five high priority and two medium priority.</b></p> <p><b>Recommendations relate to the improvement of governance arrangements, budget monitoring and risk management for Regeneration projects.</b></p>

2017-18 Internal Audit Assurance work (items in italics have been detailed in previous update reports)

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
<b>Core governance and financial systems assurance work</b>					
1	<i>Finalisation of 2016-17 planned work</i>	20	86.8	Complete	<i>All 2016-17 planned fieldwork has been completed.</i>
2	<i>Risk Management (Operational)</i>	15	N/A	<i>Removed from Plan</i>	<i>Removal from plan agreed at January 2018 meeting. Scope of work was covered by the risk management framework audit meaning that this has effectively been done already.</i>
3	Data Quality	15	N/A	Draft report with client for consideration	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - Performance data is verified to ensure accuracy.</b></p> <p><b>RMO2 - Arrangements exist to ensure the council's decisions are based on sound data.</b></p>
4	NNDR Administration & Reliefs	15	13.5	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p><b>RMO1 - Appropriate arrangements are in place for the application of discretionary and mandatory NNDR rate reliefs.</b></p> <p>The audit found that arrangements are in place to ensure the correct calculation of business rate relief. There is however room for improvement in relation to fraud prevention. <b>Opinion: Sufficient</b></p> <p><b>Overall Opinion: Sufficient. Recommendations: One medium priority.</b></p>

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					<b>Recommendation relates to the use of declarations for all reliefs / exemptions.</b>
5	Financial Planning	15	13.6	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1 - The council will have an ongoing plan to balance the budget in the current year and in future years.</b></p> <p>The review found that the authority has a Medium Term Financial Strategy (MTFS) and Medium Term Financial Plan (MTFP) in place and the budget set reflects the authority's agreed priorities, resources available and the legal requirements. The level of general reserves is equal to minimum balances approved by council as at February 2013, however it was noted that at the moment the MTFS does not include any plans to achieve planned increases in reserves.</p> <p>Roles and responsibilities are defined and communicated to staff to ensure information is received to set the financial plan. Testing on 13 assumptions included in the MTFP found that the accounting teams were able to provide evidence of where all figures had come from. It was noted however there were two assumptions, one for Homelessness and one for Safer Communities where figures were recorded for the next two years but not for the following two years, although there were figures available.</p> <p>There is a timetable in place for setting and approving the financial plan, enabling the budget to be set and agreed in a timely manner. Projected deficits for the upcoming year are presented to Cabinet in September and Members and officers work together on plans to mitigate them before the final budget is presented in February.</p> <p>The Cabinet now have access to projected income and expenditure figures up to and including 2022; though estimates, these figures will give Members some insight into what may be happening in Medway in the future and may help them to make decisions about what immediate action needs to be taken to achieve the required balanced budget.</p> <p><b>Opinion: Sufficient.</b></p> <p><b>Overall Opinion: Sufficient. Recommendations: One medium and one low priority.</b></p> <p><b>Recommendations relate to a review of the authority's reserve strategy</b></p>

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					<b>and ensuring data is included for every year of the MTFP if available</b>
6	Capital Accounting	15	14	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1 - Arrangements exist for the appropriate accounting of income and expenditure relating to Capital projects.</b></p> <p>The review found that Medway Council's Financial Rules have strict guidelines in relation to Capital Accounting which must be adhered to. The financial rules have been compiled to ensure that the council's financial affairs are conducted in a manner that is consistent with recognised accounting standards and proper financial practices.</p> <p>The council's Capital Programme for 2017-18 was appropriately agreed by Full Council on 23 February 2017. Audit testing confirmed that effective arrangements are in place for the appropriate accounting of income and expenditure relating to Capital projects. Arrangements also exist for regular capital budget monitoring to be undertaken, with any variances reported to Cabinet on a quarterly basis. <b>Opinion: Strong.</b></p> <p><b>Overall Opinion: Strong. Recommendations: None.</b></p>
7	<i>Bank Reconciliation</i>	15	<i>N/A</i>	<i>Removed from Plan</i>	<i>Removal from plan agreed at January 2018 meeting Previous audit finalized in 2016-17. Added to plan due to error in cycle.</i>
8	Sundry Debtors	15	22	Final Report Issued	<p>The review considered the following Risk Management Objectives:  <b>RMO1 - There are arrangements in place to administer the council's sundry debtors.</b></p> <p>Administration of the sundry debt process has adequate written procedures and accurate records are held to identify debtors and the payments they make.</p> <p>Action is required in relation to authorised signatories as testing identified that invoices had been approved by officers who did not appear on the authorised signatory list.</p> <p>Reconciliations between the General Ledger and bank account are not always signed by the officer preparing the reconciliation or the control team leader. These actions should be recorded and dated for audit purposes. <b>Opinion: Needs Strengthening.</b></p> <p><b>RMO2 - Sundry debts are recovered in line with the Corporate Debt</b></p>

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					<p><b>Policy.</b> Adequate arrangements are in place to ensure all overdue and uncollected debt is actively pursued where economic to do so.</p> <p>Reminders are issued automatically but secondary follow up processes are still largely manual leading to inconsistencies in timescales. <b>Opinion: Sufficient.</b></p> <p><b>RMO3 - VAT is correctly coded and charged for goods and services on all debtor invoices raised.</b></p> <p>Testing undertaken has identified that the correct VAT code is not always being used in relation to sundry debtor invoicing, which presents both a financial and reputational risk to the authority. <b>Opinion: Needs Strengthening.</b></p> <p><b>RMO4 - There is a single customer account capturing all debtors of the Council.</b></p> <p>At present there is no single customer account capturing the debts owed by an individual in one place and processes for invoicing debtors vary across the council. Parts of the debt recovery process are not automated and are driven by manual clerical processes, which lead to significant periods before debts are recovered or written off.</p> <p>The Corporate Debt Working Group has been set up to address these issues and suggested areas of focus for the group have been identified within the audit. <b>Opinion: Needs Strengthening.</b></p> <p><b>RMO5 - An effective strategic framework and approach is in place for debt recovery.</b></p> <p>An early working draft version of the newly proposed corporate debt strategy and policy, which is being put in place by the recently established corporate debt project team, was reviewed at the invitation of the team. The strategic framework offers scope for enhancement and improvement of debt recovery and a number of comments/observations were made in an inter-linking and advisory assurance capacity. <b>Opinion: Sufficient.</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: Three high, seven medium and two low priority.</b></p>

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					<p>Recommendations relate to a review of the authorised signatory list, restricting access to users on Integra to ensure appropriate segregation of duties, reconciliations being signed and dated by officers preparing and checking/certifying, the cause of discrepancies between the general ledger control account and sales ledger being identified and corrected, an automated reminder letters being issued to debtors, the Corporate Debt Working Group reviewing management information reports, the introduction of written procedures regarding the coding of VAT, a programme of corporate VAT training, the introduction of a standardised invoicing process and a review of the resources devoted to debt recovery.</p> <p><b>One high priority recommendation relating to a review of the authorised signatory list was rejected.</b></p>
9	Housing Benefit	15	20	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1 - Housing Benefit is appropriately administered and accurately calculated.</b></p> <p>The review found that information about eligibility for housing benefit and the associated claim forms, including the required documentation, is being effectively publicised and brought to the attention of members the public.</p> <p>Arrangements exist for claims to be securely received and stored, and for claims to be accurately calculated based on the information provided; audit testing confirmed that these arrangements are working well in practice. Procedures are also in place for the validity of backdated claims to be assessed and for the correct payment schedule to be selected. It was noted that the average time for processing housing benefit claims currently exceeds the national average and is also above the council's own target; however, it is hoped that the introduction of Risk Based Verification in 2018 will see a change in speed of processing capability.</p> <p>Adequate training is provided to all staff responsible for assessing housing benefit claims and appropriate management checks are carried out on all payments above £1000 paid to tenants and £1200 paid to landlords. Arrangements are also in place for existing claims to be</p>

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					<p>regularly reviewed.</p> <p>The audit scope did not include a review of payments from the Discretionary Housing Payment fund (DHP), however during the audit fieldwork a weakness was identified, in that management checks are not consistently applied to payments from the DHP fund; a recommendation was therefore made accordingly. <b>Opinion: Strong.</b></p> <p><b>Overall Opinion: Strong. Recommendations: One high priority.</b></p> <p><b>Recommendation relates to the counter-checking of payments made from the Discretionary Housing Payment fund.</b></p>
10	Ethics	15	N/A	Fieldwork completed, in quality control	<p>The review will consider the following Risk Management Objectives:</p> <p><b>RMO1 - The council complies with its Code of Governance by behaving with Integrity.</b></p> <p><b>RMO2 - The council complies with its Code of Governance by demonstrating a strong commitment to ethical values.</b></p> <p><b>RMO3 - The council complies with its Code of Governance by respecting the rule of Law.</b></p>
11	Constitution Maintenance	15	5.1	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - Effective arrangements are in place to maintain Medway Council's Constitution.</b></p> <p>The review found that the council's current Constitution was adopted in September 2001 and is based largely on guidance provided by the Secretary of State as part of The Local Government Act 2000 (Constitutions) (England) Direction 2000. The Constitution has been kept under review since that time, with a major review taking place in 2015/16, which led to a revised Constitution being approved by Full Council on 28 April 2016.</p> <p>Article 11 of Medway Council's Constitution designates the Chief Legal Officer as the council's Monitoring Officer, who is responsible for maintaining an up-to-date version of the Constitution and ensuring that it is widely available for consultation by Members, employees and the public. Appropriate processes are in place for both minor and major amendments to the Constitution to be approved, and an adequate audit trail is maintained for all changes agreed. <b>Opinion: Strong.</b></p>



Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<b>Overall Opinion: Strong. Recommendations: None.</b>
12	Performance Management	15	N/A	Removed from Plan	Removal from plan agreed at January 2018 meeting. There is an overlap with the data quality audit. Scope of this audit rolled into the data quality audit and dealt with as one.
13	Responsive assurance work	15	N/A	Completed	Results of work undertaken are reported within table detailing reactive internal audit assurance work on page 42
<b>Corporate risks assurance work</b>					
<b>Finances</b>					
14	Customer Contact Centre – Adult Education Funding Arrangements	15	N/A	Draft report with client for consideration	The review considered the following Risk Management Objective: <b>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.</b>
15	Shared Services	15	17.3	Final Report Issued	The review considered the following Risk Management Objective: <b>RMO1 - Appropriate arrangements have been put into place to ensure the delivery of shared services projects.</b> The creation of the Audit & Counter Fraud (A&CF) shared service project between Medway Council and Gravesham Borough Council (GBC), was then a catalyst for exploring other shared service opportunities with GBC. The new Medium Term Financial Strategy (MTFS), states that the council are exploring more opportunities for sharing back office functions with neighbouring authorities, however a formal strategy / programme has not been documented for identifying and progressing specific shared services. Decisions regarding those shared services implemented to date (A&CF and Legal Services) followed the council’s democratic process and included reporting to management and Members. Staffing matters were managed in accordance with the council’s Organisational Change Policy and Procedure; however a formal project management approach, in line with the council’s performance management toolkit, was not adopted. Project groups were established for both the A&CF and Legal Services shared service projects, which included representatives from various council departments, though not necessarily from the outset of the

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					<p>project. Set-up costs were shared by both of the local authorities. Legal agreements exist for both the A&amp;CF and Legal Services shared services, which outline performance requirements, however the Legal Services shared service agreement was not finalised prior to the commencement to the shared service. Opportunities were identified to enhance compliance with requirements in relation to the raising of shared service invoices.</p> <p>Post-implementation reviews, including comments from officers, were carried out for both the A&amp;CF and Legal Services shared services and these have helped to create a template for future projects. <b>Opinion: Needs Strengthening.</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: Five high priority.</b></p> <p><b>Recommendations relate to preparation of shared services strategy, implementation of formal project management arrangements, and adherence to legal agreements.</b></p> <p><b>- All recommendations actioned, prior to report being finalised.</b></p>
16	Off Payroll Engagements	15	8.2	Final Report Issued	<p>The review considered the following Risk Management Objective: <b>RMO1 - Effective arrangements are in place to review and record Personal Service Company workers.</b></p> <p>The review found that prior to the implementation of the Finance Bill 2017, information was provided to Service Managers regarding changes affecting the payment of workers paid via an intermediary. An appropriate exercise was also undertaken to identify existing workers to which the changes in IR35 rules applied and arrangements were put in place for payments to these workers to be made via Payroll, allowing for necessary tax and National Insurance deductions to be made.</p> <p>Since the implementation of the new IR35 rules in April 2017, a flowchart has been created and is available on the staff intranet with clear instructions on what to do and when to ensure that IR35 status is considered for all new engagements. It is understood that this flowchart is being followed in practice however no paperwork could be provided to evidence this and therefore definitive assurance cannot be provided in</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>this area.</p> <p>A record of all workers affected by the IR35 rules is held on the council's Payroll system, Resource Link, and a report provided at the time of audit showed that 38 workers were currently engaged. Audit testing on a random sample of 10 workers confirmed that authorised invoices were held for each of the test subjects and tax and National Insurance deductions had appropriately been applied to their payments. It was noted however that a contract or agreement is not held between the council and the worker for any of these 10 engagements.</p> <p>In addition, although it is recognised that IR35 status has to be considered again when contracts or engagements are renewed or changed, there is not a formal arrangement for doing this. <b>Opinion: Needs Strengthening.</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: Two high priority and one medium priority.</b></p> <p><b>Recommendations relate to ensuring that records relating to workers affected by the IR35 rules are closed on Integra to prevent payments being made via any other means than through payroll, agreements / contracts being obtained for all off-payroll engagements, records of IR35 assessments being retained and procedures being implemented for the structured ongoing monitoring of off- payroll engagements.</b></p>
17	Final Accounts Preparation	15	N/A	Draft report with client for consideration	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - Statutory deadlines for the preparation of final accounts are fully met.</b></p> <p><b>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.</b></p> <p><b>RMO3 - Final accounts are prepared and kept fully in accordance with the latest CIPFA Code.</b></p>
18	Coroner's Service	15	10.1	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p><b>RMO1 - Arrangements are in place to ensure the Coroner's Service has adequate controls in place.</b></p> <p>A proactive approach by Finance officers has opened communication to</p>

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					<p>establish a good working relationship with KCC regarding this service. While all associated costs are outside of Medway's control better communication was necessary to ensure the budget set is realistic and that monitoring is effective.</p> <p>To ensure Medway has a means to monitor KCC's Coroner budget the draft SLA should be authorised by each authority. <b>Opinion: Sufficient.</b></p> <p><b>Overall Opinion: Sufficient. Recommendations: One medium priority. Recommendation relates to formalising the SLA with KCC, which will set out the means by which Medway can have access to budgetary information and allow Medway officers to attend panel meetings to keep abreast of developments.</b></p>
19	Digital Transformation	20	N/A	Removed from plan	<p>Removal from plan agreed at January 2018 meeting.</p> <p>To be completed through attendance at Digital Transformation Working Group.</p>
<b>Children's social care</b>					
20	Special Educational Needs & Disabilities Transport	15	8	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - Effective arrangements are in place for the delivery of Special Education Needs and Disabilities (SEND) Transport.</b></p> <p>Responsibility for Special Education Needs and Disabilities (SEND) Transport was managed by Medway NORSE until September 2017 when responsibility returned to Medway Council.</p> <p>Arrangements are in place for the delivery of (SEND) Transport and are supported by a Home to School Transport Policy. It was noted however, that the policy makes no reference to how the council would deal with instances of identified fraud in relation to applications for transport.</p> <p>While applications for transport have a declaration included, it makes no reference to the fact that the provision of false or misleading information could be considered a criminal offence.</p> <p>The service are currently reviewing what information is available on Medway Council's public website with a view to introducing an online application form that would need to be completed annually.</p> <p>Audit testing identified that appropriate measures are in place to ensure that those in need of SEND receive the help that is needed. However,</p>

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					<p>record keeping was found to be inconsistent with relevant information missing from some children's files. There is also no requirement to complete a termination form for transport services and no reconciliation against school attendance. Both these issues mean the council is exposed to a financial risk connected with payments to contractors for journeys that are not required or to parents who have claimed for journeys that have not taken place. <b>Opinion: Needs Strengthening.</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: One high, three medium and two low priority.</b></p> <p><b>Recommendations relate to the introduction of a more robust declaration on all application forms, a centralised recording mechanism for all children requiring transport, all claims for cash allowances to be cross referenced with school attendance and any identified overpayments recovered, termination forms being completed for all children who no longer need transport, the Home to School Transport Policy being updated to include a section on fraud and how the authority will deal with any instances of identified fraud and annual declarations of interest to be completed by all staff connected to SEND transport.</b></p>
<b>Keeping vulnerable young people safe and on-track</b>					
21	Children's Services - 16-19 Strategy	15	7.3	Final Report Issued	<p><i>The review considered the following Risk Management Objective:</i></p> <p><b><i>RMO1 - Effective arrangements are in place to deliver the council's Children's Services 16-19 Strategy.</i></b></p> <p><b><i>In conducting the fieldwork for this review, it was established that the strategy was to be subject to significant change, alongside creation of a Skills Board. As a consequence, this was amended to a consultancy review, which recommends suggested improvements, rather than issuing an assurance and providing a formal assessment and opinion. A Skills Board has already been created to take ownership of the 16-19 Strategy 2016-2020, however it had already been identified, prior to this planned review, that the strategy is no longer relevant to Medway Council and that its objectives are no longer achievable due to the withdrawal of funding to Medway Youth Trust. Consequently it is recommended that the 16-19 Strategy 2016-2020 be reviewed and updated to incorporate achievable and relevant goals that complement</i></b></p>

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					<p><i>the Regeneration Strategy; this should be championed by the newly formed Skills Board. Once implemented;</i></p> <ul style="list-style-type: none"> <li><i>• The reviewed strategy should be promoted within Medway,</i></li> <li><i>• A budget should be allocated to ensure progression of the strategy, and,</i></li> <li><i>• Corporate monitoring of the newly implemented strategy should be conducted to ensure that its objectives are achieved.</i></li> </ul>
22	Attendance Advisory Service to Schools and Academies (AASSA)	15	15	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - Pupil attendance is monitored to identify pupils falling below the required attendance target.</b></p> <p>The Attendance Advisory Service to Schools and Academies (AASSA) is a traded service. One of the key roles of the section is to monitor pupil attendance levels in Medway schools and Academies. The schools and academies are invited to buy into the AASSA service to receive help and guidance on monitoring and managing absence. The aim of the AASSA section is to increase attendance and lower the amount of un-authorised absences in Medway schools and academies in-line with government guide-lines.</p> <p>There are processes in place to monitor and identify pupils falling below the required attendance target that is set by government. <b>Opinion: Strong.</b></p> <p><b>RMO2 – Arrangements exist to address and manage pupil attendance that is below the required target.</b></p> <p>The AASSA team have established a method of ensuring that pupil attendance across Medway’s schools and academies is monitored and managed to keep it within the required guidelines. <b>Opinion: Strong.</b></p> <p><b>Overall Opinion: Strong. Recommendations: None</b></p>
23	Youth Justice	15	N/A	Not completed	<p>The Service was subject to an external review by the Her Majesty’s Inspectorate of Prisons as well as a peer review during 2017-18.</p> <p>Reports have been provided to the Audit &amp; Counter Fraud Service and the findings have been taken into account when providing the overall opinion on the council’s framework of internal control.</p>
<b>Adult social care transformation</b>					

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
24	Deprivation of Liberty Arrangements	15	9	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1 - Arrangements are in place to ensure DOLS local implementation process is followed.</b></p> <p>Medway Council acts as a 'Supervisory Body' under the Mental Capacity (Deprivation of Liberty: Standard Authorisations, Assessments and Ordinary Residence) Regulations 2008, receiving and assessing applications from Hospitals and Care Homes that are designated as the 'Managing Body' under the same regulations. The Supervisory Body must assess and, where appropriate, authorise the Managing Body to deprive a person of their liberty. This can only be authorised if; a resident or patient lacks capacity to consent to their care and treatment in order to keep them safe from harm.</p> <p>Template forms designed by the Department for Health and Directors of Adult Social Services are fully utilised throughout the application process; with necessity and proportionality being at the forefront of any decisions being made. This was highlighted when audit testing of assessment reports showed consideration of any risks open to each individual patient.</p> <p>Audit testing identified that assessments and final decisions are conducted and authorised by trained officers within the authority. The authority is responsible for identifying any conflicts of interest within their authorisation process. At present these conflicts are identified by the 'authorising signatories' themselves, who then request that a Practice Manager reallocates the case. There are no formal declarations of interest completed.</p> <p>Supervisory bodies are required to make a decision in respect of a deprivation of liberty application within 21 days of receipt. Audit testing identified that of the six successful applications selected as part of a sample, none had been authorised within the 21 day timescale. This is not uncommon when compared with benchmarking in the rest of Kent and the service advised that the delays are due to the amount of inter-agency work and time spent ensuring that depriving someone of their liberty is the best action. It was also noted during testing that the applications had all been subject to various actions throughout the period of decision making but that no deadlines were set in the process</p>

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					<p>for specific actions.</p> <p>The progress of applications is monitored and reported to management on a weekly basis. However, some data identifying timescales for individual parts of the process was absent and could provide clarity to the information presented. <b>Opinion: Needs Strengthening</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: One high priority and two medium priority.</b></p> <p><b>Recommendations relate to; transparency in authorising signatories by completing annual declarations of interests, implementing strict timescales to direct officers to action applications at all stages and to update spreadsheets to include functional formulas to ensure clarity in performance monitoring.</b></p>
25	Safeguarding Adults	15	12	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p><b>RMO1 - Effective arrangements are in place for the safeguarding of adults in Medway.</b></p> <p>The review found that Medway Council has an Adult Social Care Strategy 2016-20, the vision of which is for the council to “<i>support the people of Medway to live full, active lives; to live independently for as long as possible and to play a full part in their local communities</i>”. The council works alongside the Kent and Medway Safeguarding Adults Board to “ensure that Kent and Medway is an increasingly safer place for adults at risk of abuse and neglect”.</p> <p>Safeguarding adults is the responsibility of all employees; however concerns are investigated by the Adult Social Care teams that carry out a safeguarding function. Appropriate safeguarding training is available for all staff, however completion of e-learning is not currently mandatory for all front line staff who may come into contact with adults experiencing or at risk of abuse.</p> <p>Appropriate information is available to the public and staff on the procedures for reporting safeguarding adults concerns and arrangements exist for all concerns to be assessed and enquiries made where necessary. Partnership working is undertaken as appropriate.</p> <p>Adequate monitoring is undertaken of all safeguarding adult cases, however survey forms are not being issued at the conclusion of all cases.</p>



Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p><b>Opinion: Sufficient.</b></p> <p><b>Overall Opinion: Sufficient. Recommendations: Two medium priority and one low priority.</b></p> <p><b>Recommendations relate to ensuring that frontline staff complete safeguarding awareness training, that safeguarding surveys are issued to all appropriate clients and that enhancements are made to arrangements for monitoring staff conflicts of interest.</b></p>
26	Medway Integrated Community Health Equipment Service	15	15.6	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - The budget for the contract is monitored regularly and all payments made are accurate and appropriately authorised.</b></p> <p>A MICES board is in place with responsibility to monitor the budget and it is recommended they review the budget for the contract. It is based on the spending activity levels for 2014-15 and does not reflect the development of the service to include the Home First initiative and the increase in prescribers ordering equipment. The lead commissioning officer was responsible for ensuring accuracy of payments to the provider, but this position has been vacant for four months. The new lead commissioner will need to understand the large and complex information from the provider to give assurance payments are monitored and accurate.</p> <p><b>Opinion: Needs Strengthening</b></p> <p><b>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.</b></p> <p>Medway Council employs less than 10% of the prescribers ordering equipment through MICES. The processes Medway prescribers have in place ensures VFM is a consideration in their ordering process. The same assurance is not available for the prescribers outside of the council.</p> <p><b>Opinion: Weak</b></p> <p><b>Overall Opinion: Weak. Recommendations: Three high and three medium priority.</b></p> <p><b>Recommendations relate to the budget review process taking account of extra initiatives introduced that impact on the increased ordering of equipment, training for the role of lead commissioner, a guidance</b></p>

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					<i>process for all prescribers in relation to the ordering of equipment that is monitored, prescribers only being added to the system once it has been verified that they are trained to make decisions about orders, commissioners carrying out regular checks of special equipment stocks and commissioners working with providers to ensure they receive value for money.</i>
27	Adult Social Care Strategy 2016 - 2020 (Previously titled Adult Social Care Programme Management Office)	15	14.5	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1: Effective arrangements are in place to deliver the council's "Getting Better Together" - Adult Social Care (ASC) Strategy for Medway.</b></p> <p>The review found that the ASC strategy went through the council's usual approval and governance processes, ultimately being approved by Cabinet on 12 July 2016.</p> <p>A draft mid-term review of the strategy has been produced, which will be published during April/May 2018. At the time of the review, there were no planned changes to the strategy although planning will begin for the 2020 refresh of the strategy towards the end of the year.</p> <p>The ASC strategy is a strategic document that details the key strategic aims that underpin the support the council provides in Medway; setting the direction of travel and principles for 2016-2020. The associated delivery plan is the mechanism for delivering the strategy via service plans. The delivery plan has been discussed and updated, as this forms the working document for the Getting Better Together (GBT) Project Team, although the delivery plan has not been routinely discussed or recorded in detail at meetings as this would have duplicated work undertaken by the Programme Management Office.</p> <p>The GBT Project Team met monthly or bi-monthly during 2016 and 2017, but to ensure delivery, the actions within the GBT strategy are 'owned' by service areas and sit within their service plans, although it was not possible to verify this. Delivery is therefore formally managed through the service planning process within teams.</p> <p>The current delivery plan contains 27 actions; a sample of five actions were selected to check the progress; one has been completed; three are in progress and one will be carried forward to the 2018/19 delivery plan.</p>

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					<p>Adult Social Care already report on performance via the Adult Social Care Outcomes Framework (ASCOF) data collection and performance officers have attended and made relevant performance reports to the GBT Project Team and to senior managers and relevant forums where these actions are 'owned'. The Programme Management Office also report to the Adult Improvement Board and to the GBT Project Team.</p> <p>There is no funding attached to the strategy itself, or the GBT project team. Service budgets and the overall budget for adult social care are used to fund the delivery plan. Bids for transformation funding have also been secured. <b>Opinion Sufficient.</b></p> <p><b>Overall Opinion: Sufficient. Recommendations: One high priority. Recommendation relates to ensuring a clear trail of how the strategy delivery plan actions are linked to service plans.</b></p>
<b>Government changes to local authority responsibility for schools</b>					
28	Schools	50	N/A		<p>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: All schools were subject to a review against the following Risk Management Objective:</p> <p><b>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.</b></p> <p>Oaklands Primary – Draft report with client for consideration</p> <p><b>Burnt Oak Primary – Final Report Issued</b> Robust policies are in place and are on a rotational review process to ensure they are adequate and factual.</p> <p>There are controls in place to ensure that no unauthorised spending takes place, with any orders requiring two signatories. Purchasing is limited from February each year to ensure the goods have been received by the end of the year to avoid any carry over in to the new financial year.</p> <p>At the time of the site visit Audit were advised that the school petty cash</p>

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					<p>tin would normally have a total of £200. Spending was restricted to £10 per transaction other than spending for staff training day's food provisions which would average £90. The school ran this down but found there is a requirement for petty cash to pay for postage of pupil files to different schools and for taxi payments in cases of emergency. It was therefore agreed that the petty cash balance would be reduced to £50 and used only in cases of emergency or for postage expenses. It was also noted that the Finance Policy would need to be updated to be more specific about the use of petty cash.</p> <p>Burnt Oak spends £30,000 annually to Place2Be which is a national children's charity working with 200 schools across the UK supporting over 75,000 children. Place2Be works with children, teachers and parents/carers too, providing therapeutic support to address social, emotional and behavioural problems. These payments were last agreed by the governing body in September 2015. No specific annual reviews have taken place meaning the school is not adhering to its own Finance Policy by obtaining 3 individual quotes from other organisations to ensure value for money has been considered.</p> <p><b>Overall Opinion: Sufficient. Recommendations: Two high priority and one medium priority.</b></p> <p><b>Recommendations relate to payments to Place2Be being approved by governing body, changes to the use of petty cash and the location of the safe key.</b></p> <p>Wainscott Primary – Fieldwork completed, in Quality Control</p> <p><b>St Peters Infants – Final Report Issued</b></p> <p>The Governing Board is responsible for management of the school finances; including the delegated Formula Budget, the pupil premium grant and other devolved budgets. The Head Teacher is responsible for the daily operation of financial procedures in the school, authorising all expenditure including her own expenses.</p> <p>The school has mechanisms in place to monitor its payroll and staff wages are checked on a monthly basis prior to payment authorisation.</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>Reconciliation is also conducted on all overtime claims prior to authorisation for payment.</p> <p>A Declaration Of Interest Form is held for all Governors and staff involved with the purchase of goods, however, the audit has found that there is little evidence retained in relation to how suppliers have been chosen to provide services, which could leave the school unable to defend their decision against a challenge; particularly if an employee or Governor had a connection to a supplier.</p> <p>While the school has written financial procedures, which include procedures to monitor purchasing arrangements, audit testing identified very little evidence of purchase orders being raised in connection with purchases and that not all invoices could be verified as having been checked for accuracy prior to the Head Teachers approval. There was little evidence of pre-authorisation for petty cash expenditure or relevant VAT being recovered from petty cash purchases. Evidence was also seen during testing that store loyalty points are being claimed on some petty cash purchases.</p> <p>The school receive cash payments for clubs and various trips but these payments can be left in an envelope by parents and the contents are not checked upon receipt. The Head Teacher advises that this is due to time constraints and staff not being available to check monies received. This means that receipts are not issued for monies received and leaves the school open to disputes over amounts paid if an envelope was found not to contain the amount of money stated. It was also found that banking of the cash received is not carried out on a weekly basis and is routinely done monthly, which resulted in a payment of £2,000 on one occasion. While the school insurance limit for cash in the safe is set at £50,000, infrequent banking still increases the potential losses in the event of theft.</p> <p>The school employs the services of a Finance Officer for one day per week from Edukent. There has been no consultation as to whether this arrangement should have been subject to a tendering process due to the ongoing contract, nor have the costs been assessed to determine whether the services provided offer value for money.</p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: Two high</b></p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>priority and eight medium priority, six of which have already been implemented.</p> <p>Recommendations relate to the Chair of Governors authorising the Head Teachers personal expenses and the school checking whether the ongoing contract with Edukent should be subject to a tendering process, purchase orders being raised for all relevant purchases, evidence of how suppliers are engaged and selected to be retained, invoices being checked for accuracy prior to approval, updates to the finance policy, VAT being claimed for all relevant purchases, banking being conducted on a regular basis, and existing procedures being implemented correctly to reduce/prevent pre-approved spend or the claiming of loyalty points on petty cash purchases.</p> <p>One medium priority recommendation relating to receipts or a record of payment for all monies paid in by parents was rejected.</p> <p><b>Crest Infants &amp; Nursery (formerly known as Delce Infants &amp; Nursery) – Final Report Issued</b></p> <p>The Governing body of the school is set up in accordance with regulations. Declaration of interest forms were seen for ten of the eleven Governors; however since the initial meeting up-to-date forms have been seen for all Governors. It was noted that these were not stored centrally.</p> <p>There are Policies in place and evidence was seen to confirm that these are reviewed regularly. The school’s finance policy, which was last updated in March 2017, provides guidance and a framework for financial management; establishing appropriate roles and responsibilities for the Governing Body, Resources Committee and Head Teacher. The policy was found to name staff rather than referring to them by role.</p> <p>The policy made reference to the Children’s Centre; however, management of the centre was taken over by Medway Council in December 2016. The school retained some financial management for the centre up until January 18. In April 18 there will no longer be any links between the two establishments. The finance policy should be amended to remove reference to the Children’s Centre.</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>It was also noted that there was no reference to a petty cash spend limit within the policy.</p> <p>The bank mandate correctly identifies the current signatories at the school. However, the form was updated January 16 and consequently shows the school's previous name.</p> <p>The school purchasing paperwork appeared to be in good order and items were easy to locate. A stamp is used to indicate who has been involved in each stage of the process; however, it was not always clear who had completed each stage.</p> <p>Of the 719 purchases made between September 2016 and July 2017 identified that purchase orders were raised for 450 (63%). Eleven items were selected for further testing and this identified that only two of the items had associated purchase orders and therefore authorisation for the expenditure prior to purchase. All purchases, where possible, should go through the purchase ordering process to ensure appropriate authorisation.</p> <p>Despite the Head Teacher and Business Manager advising that the petty cash spend limit is £20, testing identified that 23 of the 156 items recorded as petty cash were in excess of this limit.</p> <p>An amount of £1,145 was identified as having gone through petty cash in May 2017. It was established that this related to refunds to parents following the cancellation of a school trip. All parents were refunded in cash even where their original payment had been through the schools online payment system. This process would not be compliant with money laundering regulations. Some documentation was seen regarding the transactions; there did not appear to be a full trail showing the thought process and authorisation for the payment.</p> <p>An aggregated spend for IT services was also identified; the total spend being above the Head Teacher's limit for authorisation. Such payments should be referred to the Governing Body for approval. While other large spends had received appropriate approval, there was no record as to why the supplier had been chosen over other suppliers.</p> <p>The school has loyalty cards with Tesco and Sainsburys (Nectar); however, it was evident that staff members were using their personal</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>loyalty cards in some shops.</p> <p>The Audit did not review processes connected to income.</p> <p><b>Overall Opinion Needs Strengthening. Recommendations: Six high and four medium priority.</b></p> <p><b>Recommendations relate to declarations of interest being held in a central place, updates to the school finance policy and bank mandate forms, purchase orders being raised in respect of all purchases, Governors approving spend over £5,000 (including aggregated spend), staff not using personal loyalty cards when purchasing goods for the school, the use of Petty Cash being restricted and within the £20 limit, petty cash reconciliations only being signed when amounts held agree to the transaction listings, and procedures being introduced for the handling of refunds in order to comply with Money Laundering Regulations.</b></p> <p><b>Five high priority and two medium priority recommendations implemented before final report issued.</b></p>
<b>Delivering Regeneration</b>					
29	Common Housing Register	15	10.8	Final Report Issued	<p><i>The review considered the following Risk Management Objective:</i></p> <p><b><i>RMO1 – Arrangements are in place to ensure council properties are allocated appropriately.</i></b></p> <p><i>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. <b>Opinion: Needs Strengthening</b></i></p> <p><b><i>Overall opinion: Needs Strengthening. Recommendations: One high</i></b></p>



Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<i>priority and one low priority. Recommendations related to a policy review and updating the date procedure notes are reviewed.</i>
30	Environmental Protection	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objective: <b>RMO1 - There are appropriate arrangements in place for the effective prevention, detection and deterrent of offences that harm the environment.</b>
31	Parks & Open Spaces	15	N/A	Draft report with client for consideration	The review considered the following Risk Management Objectives: <b>RMO1 - Arrangements are in place for the management of parks and open spaces.</b> <b>RMO2 - Arrangements are in place for partnership working with NORSE.</b>
<b>Procurement and savings – capacity &amp; delivery</b>					
32	Medway Commercial Group - Governance & accounting	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objective: <b>RMO1 - Governance arrangements in place are effective to ensure the delivery of quality services and value for money through Medway Commercial Group.</b>
33	Legal Services	15	12.5	Final Report Issued	The review considered the following Risk Management Objective: <b>RMO1 - There are adequate arrangements in place to ensure Medway Council meets its obligation to provide Legal Services to Gravesham Borough Council.</b>  The contract defines Medway Council's responsibilities and the scope of the work to be carried out for Gravesham BC.  There are procedures in place to allocate the case load without bias or prejudice to either council.  There are procedures in place to deal with potential conflicts of interest between Medway Council & Gravesham BC, both in the contract and with the software package.  The contract defines the process in place to resolve any dissatisfaction with performance.  There are procedures in place to record, investigate and report all complaints; however this could not be tested as no complaints have been received by the service.

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>Because the contract states that it is Gravesham's responsibility to monitor the legal service, Medway are not required to monitor and report performance to Gravesham BC.</p> <p>There are procedures in place to monitor that procedural time limits are met.</p> <p>Gravesham's contributions to the shared service are due quarterly in advance. The service manager responsible has been made responsible for raising invoices to collect this contribution.</p> <p>Sufficient resourcing is in place as KPIs indicate work is being carried out within the expected timeframes. <b>Opinion: Strong.</b></p> <p><b>Overall Opinion: Strong. Recommendations: None.</b></p>
34	Traded services - Health & Wellbeing	15	N/A	Removed from plan	<p>Removal from plan agreed at January 2018 meeting.</p> <p>Traded service for Health and Wellbeing has not yet been established and therefore no processes/controls to audit at this time.</p>
35	Traded services - Staffing Agency	15	N/A	Fieldwork completed, in quality control	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 - The traded service was established correctly,</b></p> <p><b>RMO2 – The implementation of the traded service was managed effectively,</b></p> <p><b>RMO3 – The traded service is used effectively and realising the anticipated savings.</b></p>
<b>Business continuity &amp; emergency planning</b>					
36	Business Continuity Planning	15	N/A	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p><b>RMO1 - Arrangements are in place to ensure each service has an updated and relevant Business Continuity Plan in place.</b></p> <p>The council has not been able to progress its Corporate Business Continuity Plan because of the limited number of complete Business Continuity Plan's from services. When updating BCP's managers should test their suggested arrangements to ensure they are deliverable. A staff survey indicates a lack of BCP awareness, which impacts on their ability to react appropriately in the event of an emergency or incident.</p> <p><b>Opinion: Needs Strengthening.</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: two high</b></p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>priority.</p> <p><b>Recommendations relate to ensuring managers annually review their BCP and training being provided to staff.</b></p>
<b>Data &amp; information</b>					
37	Information Governance (Data protection)	15	7.4	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1 - Effective arrangements are in place to ensure compliance ahead of the introduction of the General Data Protection Regulation on 25 May 2018.</b></p> <p>The introduction of the General Data Protection Regulation means the authority was regularly making changes throughout this audit to work towards being compliant by the implementation date of 25 May 2018. As a consequence, the council's position may have changed since the field work was completed. The opinion delivered for this audit reflects the position at the time the fieldwork was conducted.</p> <p>At the time of the audit a project plan had been put in place dealing with high risk areas, with the expectation that some of the lower risks would automatically be deleted as so much was intrinsically linked. The GDPR Steering Group continues to work through the project plan and the Information Governance Manager advised that data risk assessments had been completed with privacy impact assessments to be completed in the near future.</p> <p>A three phase plan is in place to ensure the Council has a Records Retention Schedule and Information Asset Register and that an Information Audit is carried out to cleanse the data held.</p> <p>Data Protection Training was being delivered to all staff, via attendance at set training sessions, watching a video from one of the sessions or via an online tool. This is in order to comply with an enforcement notice issued by the ICO.</p> <p>At the time of the audit no future proofing to ensure compliance had been considered. <b>Opinion: Sufficient.</b></p> <p><b>Overall Opinion: Sufficient. Recommendations: Two high priority. Recommendations relate to a process for ensuring all staff attend relevant data protection training with records of attendance</b></p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<b>maintained and a post implementation review with a programme of corporate monitoring to ensure ongoing compliance.</b>
38	Information Requests	15	6.7	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1 - Arrangements are in place for the council to assess and respond to information requests in accordance with legislation.</b></p> <p>Information is made available to the general public via the council website on how to make an information request and what information may be provided. The Information Governance Team holds necessary templates for staff to reject requests which; fall outside the Freedom of Information (FOI) regime, relate to information that is already in the public domain or relate to information held by another authority. However these templates were not readily available on the staff intranet. Service Managers are responsible for quality control checks of the information collated by the data handler/officer before any response is issued to the person making the request and the Information Governance Manager has advised that all Service Managers are to attend FOI training, which is being managed by Workforce Development. However, there is no monitoring to ensure that quality checks have been undertaken by an appropriately trained officer.</p> <p>Although the Information Commissioners Office (ICO) requires recording and monitoring of performance for information requests, there is no requirement to record the outcome of the request.</p> <p>The Information Governance team is aware that legislative timeframes are not being met in relation to completed responses but this is out of the team's control. Reports are issued to CMT in relation to performance but this is a month behind. <b>Opinion: Needs Strengthening.</b></p> <p><b>Overall Opinion: Needs Strengthening. Recommendations: One medium priority and one low priority.</b></p> <p><b>Recommendations relate to links to the transparency data on the council website and all templates relating to information requests being made available on the staff intranet.</b></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
<b>Counter Fraud Assurance Work</b>					
40	Client Financial Affairs	15	N/A	Not Completed	<p>The Service received an assurance visit from the Office of the Public Guardian (OPG) in September 2017 where a review of the management of deputyships was undertaken.</p> <p>The report has been provided to the Audit &amp; Counter Fraud Service and the findings have been taken into account when providing the overall opinion on the council's framework of internal control.</p>
41	Staff Expense Reimbursement	15	11.1	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p><b>RMO1 – Medway Council has adequate arrangements in place to reduce the risk of fraud associated with mileage expense claims.</b></p> <p>A policy relating to subsistence &amp; expenses exists but has not been circulated to staff via the Netconsent System.</p> <p>Medway Council utilises paper and electronic expenses claim forms, both which make employees aware of their obligations. However the declaration listed on the paper form differs to that of the electronic claim form.</p> <p>Audit testing of a sample of 15 mileage claims identified that appropriate VAT fuel receipts accompanied all claims apart from one. This was later found to be because the claim related to a correction.</p> <p>It is the responsibility of authorising managers to ensure that the claims are accurate and that the expenses relate to the duties undertaken.</p> <p><b>Opinion: Strong.</b></p> <p><b>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.</b></p> <p>Evidence of expenditure must accompany any claim for expenses as per the Travel &amp; Subsistence Policy and guidance is made available to officers submitting a claim highlighting what evidence they are required to submit. Payroll teams are quick to contact officers who have not submitted their supporting evidence; however, it is the responsibility of authorising managers to ensure that the expenses claimed relate to duties undertaken.</p> <p>Audit testing of 15 claims for subsistence identified that only seven could</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>be confirmed as having been claimed in the correct instance. The other eight could not be confirmed as managers failed to respond to enquiries. In two instances, the receipts submitted were unclear and it therefore could not be confirmed that they related to the expenses being claimed. Medway Council has arrangements and procedures in place to ensure suspicious expense claims are reported to or at least discussed with the Audit &amp; Counter Fraud team.</p> <p>Audit testing of a random sample showed subsistence claims are made within the three month deadline but supporting evidence does not obviously relate to what is being claimed. Opinion: Strong.</p> <p><b>Overall Opinion: Strong. Recommendations: One medium and one low priority.</b></p> <p><b>Recommendations relate to aligning declarations on electronic and paper claims and including a prompt to authorising managers highlighting their requirement to validate claims and evidence being submitted.</b></p>
42	Serious & Organised Crime Risk	15	N/A	Removed from plan	Following consultation with the client, it was established that Kent Police are the lead for such matters. A review of the partnership working arrangements in a broader sense could be considered for 2018-19.
43	Procurement compliance	15	11.8	Final Report Issued	<p><i>The review considered the following Risk Management Objective:</i></p> <p><b><i>RMO1 – Medway Council’s Construction Professional Services Consultancy Framework is being used in the correct way.</i></b></p> <p><i>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.</i></p> <p><i>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</i></p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>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. <b>Opinion: Sufficient.</b></p> <p><b>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</b></p>
<b>Counter fraud proactive work</b>					
47	Data matching exercises, including National Fraud Initiative and Kent Intelligence Network	10			<p>Matches received as part of the 2016-17 exercise were distributed to relevant departments for checking to take place in order to eliminate any false positives and to report any concerns over suspected fraud to the Audit &amp; Counter Fraud Team. No referrals were received in connection with these matches.</p> <p>The KIN project was paused mid-way through the year when the board parted company with the software supplier due to the lack of results. Consequently the anticipated level of data matching did not take place. Once a new software provider has been procured, data matching will recommence.</p> <p>Following a successful case relating to a false university certificate being supplied in support of a council tax exemption, an exercise was commenced in March 2018 to look for further potential false student exemptions. This involved the certificates supplied by anyone in receipt of a student exemption, approximately 500 addresses, being examined for anomalies. Approximately 50 cases were identified for further investigation and enquiries with the relevant education body. The</p>

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
					investigations are still ongoing and results will be reported throughout 2018-19.
48	Fraud awareness	10	1		A briefing session took place in early November where Members received a presentation outlining the potential financial losses when applying national estimates at a local level. Similar briefings will take place for CMT and Service Managers.

### Reactive Investigations work: external investigations

Area	Number of cases concluded	Summary of results	Cashable Savings	Notional Savings	Prevented Losses
Blue Badge	16	While a number of referrals were received, most of the allegations related to misuse rather than blue badge fraud. As a consequence, most referrals were rejected as investigations as there would be no means of proving the offence without actually witnessing it happening. Information was passed back to the blue badge team for parking CEO's to be made aware for future reference.			
NNDR (Business Rates)	2	Two referrals were received in relation to false claims for discounts or exemptions for business rates. In both cases there was no evidence to substantiate the allegations.			
Council Tax	59	During 2017-18, 18 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 £63,822. 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 future years was increased by £6,451. This gives a total value of £70,273.	£70,273		
Housing	8	Investigations were linked to persons applying for			



Area	Number of cases concluded	Summary of results	Cashable Savings	Notional Savings	Prevented Losses
Allocations & Homelessness		<p>housing through the Homechoice scheme who were suspected to have had changes in their circumstances that impacted on their eligibility for housing that had not been reported.</p> <p>One person has been convicted in relation to the submission of a false housing application that resulted in her obtaining a council property. She failed to declare that she had privately rented accommodation in London at the time of her application.</p>			
Tenancy	5	The team has completed five investigations into suspected tenancy fraud, in connection with sub-letting and non-residence.			
Right to Buy	3	<p>The team has completed three investigations connected to applications under the right to buy scheme.</p> <p>One person has been convicted in relation to the submission of a false right to buy application as the council property had originally been obtained through deception. This is the same individual listed in the Housing Allocations narrative above.</p>			£77,900
Procurement	1	One investigation took place in relation to potential procurement fraud but no evidence was found to suggest that there had been any wrongdoing.			
Social Care	1	Audit & Counter Fraud were consulted in relation to a possible case of financial abuse. Unfortunately the information received suggested that this was a care home resident who was thought to be suffering financial abuse at the hands of a relative and falls outside the scope of what the council has power to investigate.			
Other	2	Two old cases linked to DWP led investigations into Housing Benefit fraud were closed following the conclusion of court trials.			

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

Allegation	Investigation activity & recommendations
No investigations required during 2017-18	While officers have assisted with some disciplinary investigations, there have been no allegations against staff linked to criminal offences.

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

Activity	Current status	Opinion, summary of findings & recommendations made
Medway Action for Families – Certification of grant claim to the government’s Troubled Families Programme	Claims verified	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 June and October 2017 claims and the January, March and April 2018 claims. They have also provided support to the service during an inspection conducted by the Department for Communities and Local Government.
<i>Old Vicarage</i>	<i>Final Report Issued</i>	<i>Conducted a review to provide assurance regarding the management of the Imprest account held by the Old Vicarage residential home. The review concluded that policies and procedures are in place with good record keeping and monthly returns submitted in a timely fashion. The transactions reviewed showed that all expenditure is appropriate and reasonable for the home. The staff are all advised of their roles and responsibilities during their induction training but the evidence suggests that they do not always follow the guidelines as set out by Medway Council. The sample of transactions reviewed indicated that receipts are not always retained, VAT is not always recorded accurately and staff do not always choose the most appropriate method of payment for goods and services. Recommendations have agreed to address the weaknesses identified</i>
<i>Rochester Visitor Information Centre</i>	<i>Final Report Issued</i>	<i>Conducted a review to provide assurance over cash management procedures at the Rochester Visitor Information Centre following a theft. The review concluded that there was a lack of general awareness among officers on how to identify cash management risks and controls to reduce those risks, resulting in an over reliance on trust to safeguard the Visitor Information Centre building, safe, stock and assets. Recommendations have been made to address the weaknesses identified and since the site visit the centre has ordered a new safe with combination and key options and the Duty Manager has introduced procedures for ensuring building security during the cashing up process</i>
<i>Duplicate Invoicing</i>	<i>Findings reported to Managers</i>	<i>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</i>
<i>Rochester Community Hub</i>	<i>Final Report Issued</i>	<i>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</i>

Activity	Current status	Opinion, summary of findings & recommendations made
		<i>control</i>

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

Client service area	Services provided
Internal Drainage Board	The team carried out an audit of the Internal Drainage Board accounts.
Blue Badge Digitalisation	The team provided advice regarding the control implications associated with plans to accept digital blue badge applications.
Audit Committee Membership	Following a request from Members at the June Audit Committee meeting, analysis was conducted on the membership of Audit Committees across Kent (results were reported in a briefing paper to Members).
GDPR Steering Group	Audit & Counter Fraud have had a representative on this corporate working group, which is overseeing preparations for the implementation of the General Data Protection Regulation in May 2018, throughout the year.
Security & Information Governance Group	Audit & Counter Fraud have had a representative on this corporate working group, which promotes effective management of council information, throughout the year.
Digital Transformation	Audit & Counter Fraud have had a representative on the strand group, which links into the council's digital transformation board, throughout the year.
NRPF	Members of the team have attended meetings with officers from a number of directorates to establish a working application process for individuals presenting themselves to the council as having No Recourse to Public Funds. Advice has been provided in relation to fraud prevention to be applied within that process.
Temporary Accommodation Rent Collection	Some informal advice was provided in relation to planned changes in the rent collection process.
Medway Test Results	The team assisted with a review of arrangements to distribute the Medway Test results.

## 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 for 2017-18 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.

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 and outturns presented are those as of 31 March 2018.

Ref		Target	Outturn for 2017-18
<b>Financial</b>			
A&CF1	Total cost of the Audit & Counter Fraud Service (compared to the 2015-16 baseline year budgets)	N/A	Medway cost £340,716 (2015-16 £522,060)
A&CF 2	Average cost per assurance review	£5,000	£4,651 (35 reviews completed, averaging 14.4 days per review)
A&CF 3	Cost per A&CF day	£350	£323
A&CF 4	Value of fraud losses identified, by fraud type (cashable & non-cashable)	N/A	Cashable Total: £70,273 Breakdown: £63,822 historic Council Tax £6,451 additional Council Tax for future years  Non Cashable Total: £77,900 Breakdown: Prevented loss of £77,900 connected to a blocked fraudulent Right to Buy
<b>Internal Process</b>			
A&CF 5	Compliance with PSIAS	100%	A refresh of the self- assessment was carried out in December 2017, which showed full compliance with 94% of the standards, partial compliance with a further 3% and work required to address the remaining 3%. The findings were passed to the external assessor from Gateway Assure as part of the External Quality Assessment (EQA) conducted in February 2018. The assessment was positive with performance in line with or above that of other local authorities as per benchmarking.

Ref		Target	Outturn for 2017-18
			Areas for improvement have been identified and an action plan to deal with recommendations has been prepared.
A&CF 6	Proportion of available resources spent on productive work	90%	87%
A&CF 7	Proportion of productive time spent on: a) assurance work b) Consultancy work	55%	Total: 66% 64% 1%
A&CF 8	Proportion of productive time spent on: a) proactive counter fraud work b) reactive counter fraud work	45%	Total: 34% 2% 32%
A&CF 9	Investigator average caseload	10	10
A&CF 10	Proportion of agreed plan: Delivered (fieldwork completed) Underway (fieldwork current)	95%	91% 5%
A&CF 11	Proportion of assignments completed within allocated day budget	90%	81%
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%	75%
A&CF 14	Number of recommendations agreed that are: a) not yet due b) implemented c) outstanding	N/A	11 86 29
A&CF 15	Number of referrals received	N/A	102
A&CF 16	Number of investigations closed	N/A	97
<b>Learning &amp; growth</b>			
A&CF 17	Proportion of staff with relevant professional qualification	25%	92%
A&CF 18	Proportion of non-qualified staff undertaking professional qualification training	25%	25%
A&CF 19	Time spent on CPD/non-professional qualification training, learning & development	70 Days	64.4 days
A&CF 20	Staff turnover	N/A	14.2%
A&CF 21	Proportion of completed reviews subject to a second stage (senior management) quality control check in addition to the primary quality control review	10%	6.7%
<b>Customer</b>			

A&CF 22	Customer satisfaction with overall service	95%	N/A - A full client survey has not been possible due to other operational pressures created by staff sickness and turnover during the year. To be undertaken during 2018-19
A&CF 23	Member satisfaction	Positive	N/A – A survey of Members views has not been possible due to other operational pressures created by staff sickness and turnover during the year.
A&CF 24	Opinion of external audit	Positive	External Audit report by exception. The Audit Plan for 2017-18 from BDO raises no concerns in relation to the work of internal audit.
A&CF 25	Customer satisfaction with individual review/assignment	95%	100% positive response to post review client surveys

## 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 Gravesham 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 of all recommendations which have formed part of the recommendation follow-up process during the 2017-18 financial year.

<b>Audit &amp; Counter Fraud Review title</b>	<b>Overall opinion and number of recommendations of each priority agreed with management</b>	<b>Proportion of recommendations due for implementation where a positive management response has been received</b>
Adoption Services	<b>Opinion: Weak</b> Four recommendations agreed relating to insufficient arrangements to review financial assessments.	Four recommendations due, all implemented.
Right To Buy	<b>Opinion: Sufficient</b> 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	Seven recommendations, all implemented.

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
	documents, confirmation that legal charges on a purchased property are applied and use of an existing database to record management information.	
Purchase Ledger	<b>Opinion: Strong</b> Two medium priority recommendations relating to updates of authorised signatory lists.	Two recommendations, both implemented.
Markets	<b>Opinion: Weak</b> Five recommendations, three high and two low priority. Recommendations relate to arrangements to record, bank and reconcile income.	Five recommendations, all implemented.
Blue Badge	<b>Opinion: Needs strengthening</b> Thirteen recommendations, six high, six medium and one low priority. Recommendations all relate to process improvements.	Thirteen recommendations implemented.
Procurement	<b>Opinion: Sufficient</b> Three medium priority recommendations relating to staff following correct processes for new suppliers.	Three recommendations, all implemented.
Heritage Buildings	<b>Opinion: Needs strengthening</b> Eight recommendations, five high and three medium priority. Recommendations relate to clearer communication of roles and responsibilities in the maintenance of heritage assets.	Update as at 25/04/18 – Progress with the recommendations will follow once discussions with English Heritage are complete. English Heritage advise they are undergoing a reorganisation and a new team will liaise with the service when the reorganisation is complete.
Legal Services – Dunsfold Associates Ltd	<b>Opinion: N/A as consultancy audit review</b> 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	<b>Opinion: Strong</b> One recommendation relating to the resolution of a self-employed teachers status.	The recommendation has been implemented.

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
Income collection	<p><b>Opinion: Needs strengthening</b> Two recommendations, one high and one low priority, relating to policy and procedure.</p>	<p>Work is ongoing with these recommendations. The service manager intended this to be complete by the end of March. While accepting the need to write a policy and implement procedures the high level of experience in the team and low frequency of refund related issues meant this has been a lower priority over other tasks. Agreed that implementation will be by the end of July 2018.</p>
Council Tax	<p><b>Opinion: Sufficient</b> 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.</p>	<p>Four recommendations implemented.</p>
Emergency Planning	<p><b>Opinion: Strong</b> Two low priority recommendations.</p>	<p>Two recommendations have been implemented.</p>
HR Self Serve	<p><b>Opinion: Needs strengthening</b> 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.</p>	<p>Three recommendations implemented.</p>
Bligh	<p><b>Opinion: Weak</b> 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 prior to academy transfer, cancellation of credit card and use of purchase orders.</p>	<p>With the school transferring to an Academy we are not in a position to ensure previous audit recommendations are implemented. The Finance team are finalising the school's finances to ensure their accounts are in order prior to the transfer.</p>



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
Treasury Management	<b>Opinion: Strong</b> One low priority recommendation relating to user access to bankline.	One recommendation implemented.
Cyber Security	<b>Opinion: Sufficient</b> Four recommendations. Three high priority and one medium, relating to reviews of policies & procedures and intranet pages.	Four recommendations have been implemented.
Adult Social Care - Financial Assessments & Reviews	<b>Opinion: Needs strengthening</b> 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	<b>Opinion: Needs strengthening</b> 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.	Three recommendations have been implemented. Assurance on the remaining four recommendations will come from the audit review of information requests which is currently underway.
Project Management	<b>Opinion: Sufficient</b> 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.	One recommendation has been implemented. An update on the remaining recommendation has been requested from the service manager.
Tourism	<b>Opinion: Needs strengthening</b> 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.	Both recommendations have been implemented.
Common Housing Register	<b>Opinion: Strong</b> Two recommendations, one high and one low relating to policy and procedure updates.	The low priority recommendation has been implemented. It is no longer appropriate to implement the high priority recommendation as

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
		new statutory duties have required the service to delay changes to the policy to ensure it will complement the overall position the Council will need to adopt. The allocations policy is currently under review and the associated timescale being developed.
Visitor Information Centre	<p><b>Opinion: N/A as consultancy audit review</b></p> <p>Eleven recommendations, seven high priority and four medium relating to improved controls to secure assets and cash income.</p>	Eleven recommendations implemented.
Risk Management Framework	<p><b>Opinion: Needs strengthening</b></p> <p>Four medium priority recommendations relating to staff training and ensuring completion of service plans and risk registers.</p>	An update from the responsible managers across directorates has been requested as part of the latest follow up process.
Adoption & Fostering Expenses Claims	<p><b>Opinion: Weak</b></p> <p>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.</p>	Ten recommendations have been implemented as part of a larger general review of foster care payments. The remaining two recommendations are not yet due for implementation.
Child Sexual Exploitation	<p><b>Opinion: Needs Strengthening</b></p> <p>Three high and one low priority recommendations to analyse referrals, provide briefing instructions to staff, provide awareness training to service managers and all other staff.</p>	One recommendation has been actioned. An update has been requested on the three outstanding recommendations.
Fostering – Payments to Carers	<p><b>Opinion: Needs Strengthening</b></p> <p>Five recommendations to put policies and procedures in place to improve consistency in decisions made to award and review payments made to carers.</p>	Three recommendations have been implemented. Two recommendations are not yet due for implementation.
Regeneration	<p><b>Opinion: Needs Strengthening</b></p> <p>Seven high and two medium priority recommendations to improve governance arrangements, budget monitoring and risk management of projects.</p>	Five recommendations have been implemented. A finance related recommendation will be implemented by the end of July 2018 to allow time for a pilot process to be tested An update has been requested on the remaining

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
		three recommendations.
Procurement	<p><b>Opinion: Sufficient</b></p> <p>Two medium priority recommendations to improve use of the framework in place.</p>	Two recommendations have been implemented.
MICES	<p><b>Opinion: Weak</b></p> <p>Three high and three medium priority recommendations to align the budget to the increase in services, agreeing a partnership process for all staff to order equipment, ensuring stock is checked and agree a process for the assessment of items considered not suitable for reuse.</p>	Six recommendations have been implemented.
Children's Services 16-19 Strategy 2016-2020	<p><b>Opinion: N/A as this was a consultancy review</b></p> <p>One high priority recommendation to review and update the strategy.</p>	The recommendation is not due for implementation.
NNDR Administration and Reliefs	<p><b>Opinion: Sufficient</b></p> <p>One medium priority recommendation relating to the use of declarations for reliefs and exemptions.</p>	The recommendation has been implemented.

## Update on 2018-19 Audit & Counter Fraud Planned Work

Ref	Activity	Day budget	Days Used	Current status	Opinion, summary of findings & recommendations made
8	Council Tax Recovery	15	N/A	Terms of Reference being prepared for agreement with client	
11	VAT	15	N/A	Terms of Reference being prepared for agreement with client	
14	Schools	75	N/A	Fieldwork Underway	Due to an urgent concern arising, an audit has already commenced at Luton Juniors. A risk assessment will take place to identify the remaining four.
18	Traffic Management	15	N/A	Terms of Reference being prepared for agreement with client	
20	Bereavement Services (Previously titled Cemeteries)	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objectives:
22	Looked After Children - Reviews	15	N/A	Terms of Reference being prepared for agreement with client	
24	Shared Lives Scheme (Adult fostering)	15	N/A	Fieldwork complete, in Quality Control	The review considered the following Risk Management Objectives: <b>RMO1 - An appropriate framework is in place for carer payments.</b> <b>RMO2 - Payments to carers are accurate and appropriately processed.</b>
27	Commercial property management (including income)	15	N/A	Terms of Reference being prepared for agreement with client	

Ref	Activity	Day budget	Days Used	Current status	Opinion, summary of findings & recommendations made
29	Elections & Electoral Registration	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objectives:
30	Car Parking – Pay by Phone	15	N/A	Terms of Reference being prepared for agreement with client	
36	Counter Fraud Review – School Admissions	15	N/A	Terms of Reference being prepared for agreement with client	

## Definitions of audit opinions

<b>Strong</b>	Appropriate controls are in place and working effectively, maximising the likelihood of achieving service objectives and minimising the council's risk exposure.
<b>Sufficient</b>	Control arrangements ensure that all critical risks are appropriately mitigated, but further action is required to minimise the council's risk exposure.
<b>Needs Strengthening</b>	There are one or more failings in the control process that leave the council exposed to an unacceptable level of risk.
<b>Weak</b>	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.

## Recommendation Priorities

<b>High</b>	Action addresses a significant weakness to enable the achievement of key objectives.
<b>Medium</b>	Action addresses a weakness identified that is not critical to the achievement of objectives.
<b>Low</b>	Action is a system enhancement or improvement to the efficiency of the service.