

AUDIT COMMITTEE

27 SEPTEMBER 2018

AUDIT AND COUNTER FRAUD UPDATE 1 APRIL 2018 - 31 AUGUST 2018

Report from: James Larkin, Audit & Counter Fraud Shared Service Manager

Summary

This report provides Members with an update on the work, outputs and performance of the Audit & Counter Fraud Team for the period 1 April to 31 August 2018.

1. Budget and Policy Framework

- 1.1 Council delegates responsibility for the oversight and monitoring the effectiveness of the Audit & Counter Fraud Shared Service to the Audit Committee.

2. Background

- 2.1 The Public Sector Internal Audit Standards (the Standards) require that: *The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.*

3. Update report

- 3.1 As previously agreed with Members, the Audit & Counter Fraud Team will provide three update reports throughout the year in addition to the annual report issued in June each year. This is the first update report for 2018-19 and provides details of the progress made against the scheduled work plan.
- 3.2 The report details requested amendments to the 2018-19 workplan and approval is sought from Members to confirm those changes.

4. Risk management

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

5. Financial implications

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

6. Legal implications

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

7. Recommendations

- 7.1. The Committee is requested to:
- (i) Note the outputs and performance of the Audit & Counter Fraud Plan for Medway for the period 1 April to 31 August 2018 as detailed at Appendix 1.
 - (ii) Approve the amendments to the 2018-19 workplan as detailed in section 6 of the report at Appendix 1.

Lead officer contact

James Larkin, Audit & Counter Fraud Manager
T: 01634 332322
E: james.larkin@medway.gov.uk

Appendices

Appendix 1- Audit & Counter Fraud Update for Medway.

Background papers

None

Audit & Counter Fraud Shared Service
Medway Council & Gravesham Borough Council

Audit & Counter Fraud Update

Medway Council

For the period:

1 April – 31 August 2018

1. Introduction

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

2. Independence

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

3. Resources

- 3.1. The Audit & Counter Fraud Shared Service Team reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. The team has an establishment of 14 officers (13.5FTE) consisting of; the Head of Internal Audit & Counter Fraud, three Audit & Counter Fraud Team Leaders, eight Audit & Counter Fraud Officers (one post currently vacant), one audit & Counter Fraud Intelligence Analyst and one Audit & Counter Fraud Assistant, following a restructure in early 2018.
- 3.2. The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 36% for Gravesham with the remaining 64% for Medway. At the time the Audit & Counter Fraud Plans for 2018-19 were prepared, this establishment was forecasted to provide a total of 1,834 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 1,174 days.
- 3.3. Net staff days available for Medway for the period 1 April to 31 August 2018 amounted to 499 days and 449 days (90%) were spent on productive audit and counter fraud work. Of this productive time, 202 days (45%) was spent on audit assurance and consultancy work, while 247 (55%) was spent on counter fraud and investigations work. The current status and results of all work carried out are detailed at section 4 of this report.
- 3.4. Staff sickness, an unexpected vacancy and the fact that one Audit & Counter Fraud Officer will be taking flexible retirement from 01 September 2018 has affected the level of resources available. To date this has resulted in a net loss of approximately 141 days from the original resource budget of 1174 days for Medway, 91 of which were allocated to audit assurance work.

- 3.5. Recruitment for the vacant Audit & Counter Fraud Officer post took place during August with an anticipated start date in October 2018 dependent on references and notice periods.

4. Results of planned Audit & Counter Fraud work

- 4.1. The Audit & Counter Fraud Plan 2017-18 for Medway was approved by the Audit Committee in March 2018. The Plan is intended to provide a clear picture of how the council will use the Audit & Counter Fraud Shared Service, reflecting all work to be carried out by the team for Medway during the financial year including the council's core finance and governance arrangements, operational assurance work, proactive counter fraud work, responsive investigations and consultancy services.
- 4.2. The tables below provide details of the work from 2017-18 that has been finalised in 2018-19, the progress of work undertaken as part of the 2018-19 annual plan and the results of investigative work completed during the period.

2017-18 Internal Audit Assurance work completed in 2018-19 (since the last Audit Committee meeting)

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
3	Performance Data Quality	15	18.3	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - Performance data is verified to ensure accuracy. The current performance management arrangements are comprehensive and provide the 'Golden Thread' link from the council's strategic priorities to staff objectives. The data collated by council services has long-standing methodologies in place for calculation of relevant performance statistics and testing identified that the information held in Pentana was accurate. It is not possible to test the accuracy of data provided/obtained from external bodies and therefore no opinion can be provided in relation to its accuracy. Opinion: Strong</p> <p>RMO2 - Arrangements exist to ensure the council's decisions are based on sound data. The data provided in all reports for decisions has been confirmed as accurate and assurance can therefore be drawn that subsequent decisions are based on sound data. However, the corporate Peer Challenge report identified that quarterly performance reports were too narrative in style and did not focus on action to improve where services have not achieved their targets. Testing has demonstrated that decisions are made at an appropriate level and that all options had been outlined in reports, along with the positives and negatives associated with each option. Decisions made by the Council, be it by full Council or the Cabinet are subject to scrutiny by interested parties. Opinion: Sufficient</p> <p>Overall Opinion: Sufficient. Recommendations: One high, one medium and one low priority. Recommendations relate to counting rules being added to Pentana in respect of all current performance measures, a corporate Performance Data Quality Policy, a review of the style of the quarterly performance reports and a strategy relating to commercial ventures being written.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
10	Ethics	15	25.2	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - The council complies with its Code of Governance by behaving with Integrity.</p> <p>The council has in place a number of policies to inform employees on the appropriate behaviour expected of them at work. The main focus relies on the employee Code of Conduct. There were no concerns identified concerning staff integrity but there are areas for improvement regarding the review and circulation of policies to ensure staff read and understand the appropriate policies. Recommendations have also been made to ensure the Code, in particular the offer of gifts and hospitality, are reflected in a way, which is in synergy with the council's focus on working in partnership and in its commercial activities. Opinion: Weak.</p> <p>RMO2 - The council complies with its Code of Governance by demonstrating a strong commitment to ethical values.</p> <p>There are processes in place to ensure the council monitor performance regarding their commitment to ethical values. The review confirmed the council have developed robust policies and procedures, which place emphasis on agreed ethical values. Improvement is needed to ensure these policies remain up to date, contain all relevant information and staff are notified of changes. Opinion: Needs Strengthening.</p> <p>RMO3 - The council complies with its Code of Governance by respecting the rule of Law.</p> <p>There are appropriate procedures in place to ensure the council ensure staff demonstrate a strong ethical commitment and adhere to relevant laws and regulations. Incidents of wrongdoing are recorded, investigated and police action taken when required.</p> <p>The council optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. The monitoring officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with and is supported by the Data protection officer for this.</p> <p>There are procedures in place for dealing with breaches of legal and regulatory provisions. The new General Data Protection Regulations that</p>

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					<p>come into force in May 2018 make it a requirement that all breaches must be reported within 72 hours. The planned audit of GDPR in 2018/19 will review the arrangements to meet these requirements. Opinion: Sufficient.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: five high and two medium priority.</p> <p>Recommendations relate to improving employee awareness of policies relating to ethical conduct, review and enhancements of the Code of Conduct and improving processes to inform employees when policies change.</p>
14	Customer Contact Centre – Adult Education Funding Arrangements	15	19.1	Final Report Issued	<p>The review considered the following Risk Management Objective: 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.</p> <p>The service provide a wide range of courses with feedback at the end of the 2017 courses demonstrating a high level of learners who were happy with their course, including 99% of standard learners. The service takes into consideration the financial viability of courses alongside a holistic approach to under enrolled courses, recognising these can act as a catalyst for learners to take on further or more advanced courses. There are a number of processes and controls in place to ensure effective course planning is considered and reviewed throughout the academic year. Opinion Sufficient.</p> <p>Overall Opinion: Sufficient. Recommendations: One low priority.</p> <p>Recommendation related to ensuring staff comply with the process to ensure courses are viable to run.</p>
17	Final Accounts Preparation	15	15	Final Report Issued	<p>The review considered the following Risk Management Objectives: RMO1 - Statutory deadlines for the preparation of final accounts are fully met.</p> <p>Arrangements are in place to ensure there are written procedures and guidance in place and that staff receive adequate supervision, training and development. Evidence was also available to demonstrate a planned structure and methodology exists with regular monitoring of progress and performance to mitigate the risk that statutory deadlines for the</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>preparation of final accounts are not met. Opinion: Strong</p> <p>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.</p> <p>Evidence demonstrates there to be adequate procedures to ensure that all final account issues raised by the external auditor in the 2016-17 final accounts have been formally acknowledged and are being fully addressed and rectified. While a risk register was not in place for 2017-18, the strong processes in place to meet the strict deadlines in the end of year financial accounts timetable ensured that the risks were identified and managed. Opinion: Strong</p> <p>RMO3 - Final accounts are prepared and kept fully in accordance with the latest CIPFA Code.</p> <p>The key controls that are in place to ensure compliance with the CIPFA Code of Practice are appropriately included in the relevant service plan for 2016-17. Furthermore, they are indicated to be adequate and sufficient to mitigate the risk that final accounts are not prepared and are not kept fully in accordance with the latest CIPFA Code. Opinion: Strong</p> <p>Overall Opinion: Strong. Recommendations: Two medium priority. Recommendations relate to ensuring that the annual service plan makes reference to recommendations made in the previous external audit and the completion of a Finance Strategy risk register.</p>
28	Schools	50	51		<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:</p> <p>All schools were subject to a review against the following Risk Management Objective:</p> <p>RMO1 – provide assurance that the school has appropriate mechanisms in place to ensure it is in a sound financial position and that there are no material probity issues.</p> <p>Oaklands Primary – Final Report Issued</p> <p>The Governing Body is set-up in accordance with relevant Regulations and business interest forms have been completed. However, staff</p>

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					<p>involved in the procurement process are not required to complete declaration of interest's forms.</p> <p>The school's finance policy 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 last updated in Autumn 2017.</p> <p>We were able to account for all staff on the payroll and were satisfied that the school's processes ensure only legitimate staff are paid. The Head Teacher checks and signs the monthly payroll report. The school makes the majority of its creditor payments by cheque through SIMS, but also uses Nat West One Cards. The petty cash fund has been run down and is no longer in use. Audit testing found that purchase orders had been raised for the majority of purchases though in some instances these had been done retrospectively. A restructure of the admin team has however since been undertaken to ensure that purchase orders are in place for all orders and evidence has been supplied to demonstrate that orders are now raised in advance of invoices being paid. The audit did not review processes connected to income. Opinion: Sufficient</p> <p>Overall Opinion: Sufficient. Recommendations: One Medium Priority. Recommendation related to declarations of interest being signed by those responsible for procurement.</p> <p>Wainscott Primary – Final Report Issued</p> <p>The review found that although there were vacancies within the Governing Body when the audit fieldwork was carried out, a sufficient number of these have since been filled to ensure that membership is in accordance with the School Governance (Constitution) (England) Regulations. It was noted however that Governor declarations of interest published on the schools website require updating in line with the new membership.</p> <p>The governing body are responsible for establishing a policy that sets out the framework for making decisions regarding the pay and reward for all staff employed at the school. A Model Pay Policy is provided by Medway</p>

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					<p>Council. Although the most up to date Pay Policy (2017) is provided on the schools website, at the time of audit no evidence was available to demonstrate that this had been formally adopted by the governing body. Audit testing comparing details of staff on Medway Council's payroll and staff on a list provided by the school confirmed that all staff could be accounted for. Although those payroll reports reviewed had been signed by the Business Manager, there was no evidence to confirm that these had been seen by the head teacher as per the requirements of the school finance manual.</p> <p>A School Finance Policy is in place and signed by the Chair of Governors but indicates it was approved by the governing body on 9 October, whereas the governing body meeting was held on 2 October 2017 and the minutes of this meeting do not make reference to the School Finance Policy. It was noted that there is currently a discrepancy in regard to the maximum spend of the Head Teacher. The Financial Controls Document states that the Head Teacher can authorise spend up to £3,000, whereas the School Finance Policy states that Head Teacher can authorise spend up to £2,000.</p> <p>Audit testing identified inconsistencies in relation to purchase orders being raised in advance of payments being made, as well as gaps in the IT inventory. Opinion: Needs Strengthening.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: Three high, three medium and one low priority.</p> <p>Recommendations relate to the updating of Governor declarations of interest, the review and approval of the school Payroll and Finance Policies, oversight of payroll reports by the Head Teacher, the raising of purchase orders, approval of payments and the updating of the ICT inventory.</p>
30	Environmental Protection	15	26.2	Final Report Issued	<p>The review considered the following Risk Management Objective: RMO1 - There are appropriate arrangements in place for the effective prevention, detection and deterrent of offences that harm the environment.</p> <p>The methods used by the teams are effective and despite staff shortages,</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>they continue to work proactively and reactively. In the period of the review, nine individuals were prosecuted for environmental protection issues, in addition to fines and costs of approximately £17,000 imposed in the first half of the 2017-2018 year. The increase in Fixed Penalty Notice's between Quarter one and Quarter two, demonstrates the teams were actively seeking to reduce behaviour that damages the environment. The stray dog service has been recognised for a number of years by the RSCPA for its good work. It received a gold footprint in 2015, 2016 and 2017, acknowledging their work in this area; which included the launch of Facebook page showing stray/ lost dogs as a first port of call for owners. Medway was not recognised at all in the 2014 awards, so to go straight in and receive three successive gold awards reflects the huge strides made in this service and the commitment of the team to maintain the standard.</p> <p>Opinion: Strong. Overall Opinion: Strong. Recommendations: One low priority. Recommendation relates to enhancing procedural guides for staff.</p>
31	Parks & Open Spaces	15	10.6	Final Report Issued	<p>The review considered the following Risk Management Objective: RMO1 - Arrangements are in place for the management of parks and open spaces.</p> <p>The review found that although parks and open spaces (including allotments, amenity sites, country parks, play areas, park and gardens, sport sites and countryside sites) are managed by Medway Council, maintenance work is largely carried out by Medway Norse, with contracts and Service Level Agreements (SLAs) in place to cover this work. While this arrangement appears to work well, there is a need for SLAs to be formally signed and it would be beneficial for clarification to be provided regarding what functions Medway Council and Medway Norse are responsible for delivering. Arrangements exist for the work undertaken by Medway Norse as part of the contract to be monitored.</p> <p>Procedures are also in place for reactive work to be completed by Medway Norse, which is invoiced separately; however, a need was identified for improvements to arrangements for monitoring ad-hoc works carried out prior to authorising payment.</p> <p>Medway Council's website has been used to very good effect to promote</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>Medway's parks and open spaces along with seven green flag sites. However, use of social media and other outlets could be utilised to promote these areas further. Opinion: Needs Strengthening</p> <p>Overall Opinion: Needs Strengthening. Recommendations: Four medium and one low priority.</p> <p>Recommendations relate to the administration of SLAs, responsibility for work conducted by the council and Medway Norse being clarified, investigation of potential for further partnership working, monitoring of reactive work and consideration of additional opportunities to promote parks and open spaces.</p>
32	Medway Commercial Group - Governance & accounting	15	24.1	Final Report Issued	<p>The review considered the following Risk Management Objective: RMO1 - Governance arrangements in place are effective to ensure the delivery of quality services and value for money through Medway Commercial Group.</p> <p>Strategic and operational roles and responsibilities are in place, which enables the Council to direct the strategic objectives and review operational performance. Procedures are in place to ensure there are clear performance expectations for services transferring to MCG. Liaison takes place at operational and strategic levels with 6 monthly performance updates presented to Cabinet. There has been a weakness in the Council's financial and performance monitoring of MCG which can be addressed through a dedicated accountant and performance monitoring by corporate clients. Opinion: Needs Strengthening.</p> <p>Overall Opinion: Needs Strengthening. Recommendations: Four high priority.</p> <p>Recommendations relate to improving performance reporting and financial monitoring. One recommendation implemented before report finalised.</p>
35	Traded services - Staffing Agency	15	16.7	Final Report Issued	<p>The review considered the following Risk Management Objectives: RMO1 - The traded service was established correctly.</p> <p>The correct legal procedures were followed as required by the constitution, however, improved processes are required to ensure legal agreements are agreed and signed prior to transfer of a service from the Council. Opinion: Needs Strengthening.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>RMO2 – The implementation of the traded service was managed effectively. The project outcome was delivered but evidence was not available to demonstrate project management processes were in place. Update reports to Cabinet give details of financial performance but they should also receive assurance from internal corporate clients that the standards of service delivery are acceptable. Opinion: Weak.</p> <p>RMO3 – The traded service is used effectively and realising the anticipated savings. Reasonable and effective controls are in place to ensure Ocelot People Solutions control employment of temporary staff. The financial success of the project was based on assumptions, which did not come to fruition immediately. This variance has been reported through the reporting mechanisms in place that ensure the council is aware of the financial returns from MCG. Opinion: Weak.</p> <p>Overall Opinion: Weak. Recommendations: One high and one medium priority. Recommendations relate to protecting the Council’s legal position regarding service delivery and assurance that project management processes are followed.</p> <p>Other areas of weakness are addressed by recommendations from the assurance review of Medway Commercial Group.</p>

2018-19 Internal Audit Assurance work

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
Core governance and financial systems assurance work					
1	Finalisation of 2017-18 planned work	40	24.6	Completed	All 2017-18 audits have now been finalised.
2	Governance framework	15	N/A	Terms of Reference being prepared	
3	IT Asset Management	15	N/A	Fieldwork	The review will consider the following Risk Management Objectives:

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
				Underway	RMO1 - Arrangements are in place to know what physical IT assets have been paid for, where they are and who's using them. RMO2 - Arrangements are in place to know what non-physical IT assets have been paid for, where they are and who's using them.
4	Business Planning	15	N/A	Not Yet Started	
5	Risk Management Compliance	15	N/A	Not Yet Started	
6	Purchase Cards	15	N/A	Not Yet Started	
7	Income collection	15	N/A	Not Yet Started	
8	Council Tax Recovery	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objective: RMO1 - Arrangements are in place for the recovery of unpaid council tax liabilities.
9	Payroll - Establishment Management	15	N/A	Not Yet Started	
10	Housing rents	15	N/A	Not Yet Started	
11	VAT	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objectives: RMO1 - VAT is reclaimed for all qualifying expenditure and promptly and accurately recorded in the accounting records. RMO2 - VAT is identified correctly on relevant income received, calculated accurately and promptly recorded in the accounting records.
12	Insurances	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objectives: RMO1 - The insurance contract currently held meets the council's insurance requirements. RMO2 - Insurance claims received by the council are appropriately processed.
13	Budget monitoring	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 - The council's budgets are appropriately monitored. RMO2 - The results of budget monitoring activities are appropriately actioned and reported.
14	Schools	75	N/A	Underway	A budget of 75 days was set for the review of five schools (15 each). One school was selected for audit in response to concerns raised by the chair of governors. A risk assessment has been conducted to identify the

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					remaining schools to be subject to audit in 2018-19. Due to the need for an increased day allocation to allow for the greater depth of work required, there is an insufficient allocation to complete all five and it is proposed that the number be reduced to four.
	Luton Juniors		N/A	Draft report with client for consideration	The review considered the following Risk Management Objective: RMO1 - The school has appropriate mechanisms in place to ensure it is in a sound financial position and that there are no material probity issues.
	St John Fisher		N/A	Fieldwork Underway	The review will consider the following Risk Management Objective: RMO1 - The school has appropriate mechanisms in place to ensure it is in a sound financial position and that there are no material probity issues.
	Abbey Court		N/A	Fieldwork Underway	The review will consider the following Risk Management Objective: RMO1 - The school has appropriate mechanisms in place to ensure it is in a sound financial position and that there are no material probity issues.
	Luton Infant & Nursery		N/A	Not Yet Started	
	School 5		N/A	Proposal to remove	
15	Responsive assurance work	15	N/A	Underway	The team has conducted responsive assurance at Splashes Leisure Centre following a theft of monies from the safe and also reviewed processes linked to deliveries and collections at the Innovation Centre after a complaint was received about a missing delivery. Reports are currently being finalised.
Corporate risks assurance work					
16	Adult social care - Assessments & reviews of care packages	15	N/A	Terms of Reference being prepared	
17	HR - recruitment (including Vetting)	15	N/A	Terms of Reference being prepared	
18	Traffic Management	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objective: RMO1 - There is an effective procedure in place for assessing and processing applications for temporary road closures, in accordance with

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					legislation.
19	Community safety partnership (inc. action plan delivery)	15	N/A	Not Yet Started	
20	Bereavement Services (previously listed as Cemeteries)	20	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Appropriate arrangements are in place for setting Cemetery and Crematorium fees. RMO2 - Procedures are in place to ensure that income is collected and accounted for.
21	Member development	15	N/A	Not Yet Started	
22	Looked After Children - Reviews	15	N/A	Proposal to defer to 2019-20	The service was one of a number that were recently subject to a Joint Targeted Area Inspection (JTAI). This inspection has covered some of the areas that would have been the focus of the audit and has made recommendations. It is our opinion that it would be more beneficial to the council if we relied upon the assurance from this review for 2018-19 and then conducted an internal review in 2019-20 to ensure that recommendations from the JTAI have been actioned and also pick up the areas not covered under the JTAI.
23	Homelessness	15	N/A	Not Yet Started	
24	Shared Lives Scheme (Adult fostering)	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objective: RMO1 - Payments to foster carers are accurate and appropriately processed.
25	Private Housing Enforcement	15	N/A	Not Yet Started	
26	Housing Revenue Account Building Management – Compliancy	15	N/A	Not Yet Started	
27	Commercial property management (including income)	15	N/A	Proposal to remove	While the authority has plans in place for the acquisition of commercial property, there is yet to be any investment and therefore no management controls to review.

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28	GDPR	15	N/A	Not Yet Started	
29	Elections & electoral registration	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Adequate procedures are in place to ensure the ongoing maintenance of the Electoral Register. RMO2 - Adequate procedures are in place to ensure that public engagement with the election process is maintained. RMO3 - Adequate procedures are in place to ensure monies received in Electoral Services are handled correctly.
30	Car parking – pay by phone	15	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - A written contract exists between Medway Council and RingGo, which is regularly monitored. RMO2 - Appropriate measures exist for the collection of RingGo income.
31	Planning applications	15	N/A	Not Yet Started	
32	Transparency	15	N/A	Proposal to defer to 2019-20	The approach to meeting the requirements of the Transparency Codes are about to be subjected to significant review by the Information Governance Team with complete changes to processes. The time planned for this audit will be reallocated to consultancy work for the Troubled Families Programme due to changes in the level of risk.
33	Netconsent	15	N/A	Not Yet Started	
34	Counter Fraud	7	N/A	Not Yet Started	
Counter Fraud Assurance Work					
35	Adult social care - Self Directed Support (Personal Budgets)	15	N/A	Not Yet Started	
36	School admissions	15	N/A	Terms of Reference being prepared	
37	Residents Parking permits	15	N/A	Not Yet Started	

Counter Fraud Activity

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
39	Pro-active investigations work	52	N/A	Underway	<p>A pro-active drive reviewing all council tax accounts with full student exemptions was commenced in March 2018. The exercise involved scrutiny of all student certificates supplied in order to confirm that they were genuine. Approx. 500 accounts were reviewed with 41 identified as having potential discrepancies, which were passed for further investigation.</p> <p>Investigations linked to the exercise that have been concluded have led to additional council tax of £5,302.28* being owed and an additional £4,048.32* in future years where the exemptions will no longer apply. Four investigations remain ongoing.</p> <p>*please note that these figures relate to the exercise itself, which crosses financial years, and are not in addition to the sums reported as part of performance indicator A&CF20.</p>
40	Data matching exercises, including National Fraud Initiative and Kent Intelligence Network	52	N/A	Underway	<p>No further matching has been undertaken by the KIN at this time, however, data matching for small business rate relief has taken place with a company called Destin Solutions. The matches received have been reviewed by the NNDR team and a number of discrepancies have been identified for further investigation.</p> <p>Submissions for the 2018-19 National Fraud Initiative exercise are scheduled to take place in October, with results likely to be received in January 2019.</p>
41	Fraud awareness	10	N/A	Underway	<p>The team were asked to provide fraud awareness training to members of the Self Directed Support team as part of their introduction of a pre-payment card for clients. AC&F officers attended a SDS team meeting to discuss the importance of Knowing Your Customer to prevent money laundering. Staff were informed where to find the Council's AML policy and how to report Suspicious Activity.</p>

Reactive Investigations work: external investigations

Area	Number of cases concluded	Summary of results
CTAX	52	In the period of this report, cases linked to fraudulent discounts and exemptions were closed. These cases have identified additional Council Tax liabilities with a total value of £8,410. They have also identified additional liability of £3,899 for future years. One person has received a civil penalty of £70 for negligent failure to report a change in circumstances.
Blue Badge	2	One referral was rejected as there were insufficient grounds to investigate. One investigation was concluded with no evidence of fraud.
Housing	2	Two investigations were concluded, one with no evidence of fraud but the second resulted in the applicant's removal from the Housing Waiting List. As there had been no bidding activity for a considerable period of time, no notional saving was attributed to the removal.
Tenancy	4	All cases concluded with no evidence of fraud identified.
No Recourse to Public Funds	2	Two investigations concluded with no evidence of fraud.

Reactive Investigations work: internal investigations

The Audit & Counter Fraud Team are conducting a number of disciplinary investigations on behalf of HR into a range of matters. Details cannot be provided while investigations are ongoing but an anonymised summary will be included in updates after the cases are concluded.

Allegation	Investigation activity & recommendations
Conducting a personal business on council time	An employee was investigated in connection with allegations that he may be running a personal business during contracted hours. This also had implications to the council reputation due to the conflict with his contracted duties. The investigation identified that there was a disciplinary case to answer but the employee resigned before any formal hearing.

Other consultancy services including advice & information

Activity	Opinion, summary of findings & recommendations made
Internal Drainage Board	The team carried out an audit of the Internal Drainage Board accounts.

Activity	Opinion, summary of findings & recommendations made
Troubled Families	The team have provided independent verification of the first two claims for funding from the Ministry of Housing, Communities & Local Government in relation to troubled families.
Flood Resilience & Pothole Fund Expenditure	Sample testing was conducted for assurance purposes to enable to the Chief Executive and Head of Internal Audit & Counter Fraud to sign a statement confirming that grant funding had been appropriately spent.
GDPR Working Group	Audit & Counter Fraud have a representative on this corporate working group, which supports the council in its efforts to ensure compliance with the new GDPR.

5. Quality Assurance & Improvement Programme

- 5.1. The Standards require that: *The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. A Quality Assurance & Improvement Programme (QAIP) has been prepared to meet this requirement.* The Audit & Counter Fraud Shared Service QAIP was agreed by Medway's Audit Committee in March 2018.
- 5.2. The arrangements set out in the QAIP have been implemented with the collection and monitoring of performance data largely automated through the team's time recording and quality management processes. It should be noted that the results recorded below have not been subjected to independent data quality verification.
- 5.3. In line with the QAIP, the team monitor performance against a suite of 24 performance indicators based on the balanced scorecard, covering the four perspectives; financial, internal process, learning & growth and customer. The table below sets out the performance targets, which are grouped into measures for the service and those that are specific to the individual authority. Targets have been set for 17 of the 24 indicators, however it should be noted that these are for full year outturns; as such outturns at present are not to target levels but are provided for Members information.

Ref	Indicator	Target	Outturn for report period
Non LA Specific Performance Measurements			
A&CF1	Cost of the Audit & Counter Fraud Service Total Cost LA Share	N/A	£560,257 £358,564
A&CF2	Cost per A&CF day	£400	£305
A&CF3	Proportion of staff with relevant professional qualification: Relevant audit qualification Relevant counter fraud qualification	75%	21% 57%
A&CF4	Proportion of non-qualified staff undertaking professional qualification training	25%	0%
A&CF5	Time spent on CPD/non-professional qualification training, learning & development	70 days	11 days
A&CF6	Compliance with PSIAS	100%	The External Quality Assessment (EQA) conducted in February 2018 was positive with performance in line with or above that of other local authorities as per benchmarking; however, it did not provide a percentage of compliance. Our December 2017 self- assessment showed full compliance with 94% of the standards, partial compliance with a further 3% and work required to address the remaining 3%. An action plan has been formed to deal with the recommendations from the external assessment and a refresh

Ref	Indicator	Target	Outturn for report period
			of the self-assessment will take place later in the year to confirm the percentage compliance.
A&CF7	Staff turnover	N/A	While there have been no resignations, an internal candidate was successful in the recruitment for a new Audit & Counter Fraud Team Leader. As a consequence, we are in the process of recruiting a replacement Audit & Counter Fraud Officer to fill the last remaining vacancy.
LA Specific Performance Measurements			
A&CF8	Average cost per assurance review	£5,000	£4575
A&CF9	Proportion of available resources spent on productive work	90%	90%
A&CF10	Proportion of productive time spent on: assurance work consultancy work	65%	41% 4%
A&CF11	Proportion of productive time spent on: proactive counter fraud work reactive counter fraud work	35%	9% 46%
A&CF12	Proportion of agreed assurance assignments: Delivered Underway	95%	8% 26%
A&CF13	Proportion of assignments completed within allocated day budget	90%	N/A no 2018-19 audits finalised
A&CF14	Proportion of completed reviews subject to a second stage (senior management) quality control check in addition to the primary quality control review	10%	N/A no 2018-19 audits finalised
A&CF15	Proportion of recommended actions agreed by client management	90%	97%
A&CF16	Number of recommendations agreed that are: not yet due Implemented Outstanding	N/A	22 32 19
A&CF17	Proportion of recommended actions implemented by agreed date	N/A	61.2%
A&CF18	Number of referrals received	N/A	61
A&CF19	Number of investigations closed	N/A	62
A&CF20	Value of fraud losses identified, by fraud type a) cashable (losses that can be recovered)	N/A	Total: £12,379. £8,410 Council Tax plus £3,899 additional Council Tax for future years

Ref	Indicator	Target	Outturn for report period
	b) non-cashable (notional savings based on national estimates)		£70 – one civil penalty imposed. £0
A&CF21	Customer satisfaction with individual review/assignment	95%	100% (based on one review received in the period)
A&CF22	Customer satisfaction with overall service	95%	Survey has not yet been issued.
A&CF23	Member satisfaction with assurance provided (based on Chair of Audit Committee contribution to Appraisal of the Head of Audit & Counter Fraud role)	Positive	N/A – The mid-year review for the Head of Audit & Counter Fraud has not yet taken place.
A&CF24	Statement 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.

6. Review of Audit & Counter Fraud Plan

- 6.1. Monitoring of the delivery of planned work is built into the team's processes with individual officer time recording data feeding into an automated performance monitoring workbook; this tracks the performance of the team against the shared service work-plan as a whole and enables the supervisory staff to plan and support officers to deliver their individual work plans. On at least a quarterly basis, a projection of the resources that will be available to the year-end is carried out and compared to forecasts for each item of work on the plan to be completed.
- 6.2. All audit reviews scheduled for Q1 have commenced and all bar one of those scheduled for Q2 has at least commenced the planning stage, so the plan is on track at this time. However, as mentioned at paragraph 3.4, there has been a loss of resource created by sickness, a vacancy and the flexible retirement of one employee that was unknown at the time the original budget was calculated. This projects a loss of 141 days from the original projection of 1174 days, which means that amendments to the plan are necessary to compensate for the loss of resource.
- 6.3. In addition, a further change is necessary to respond to a change in the risk levels identified when the current plan was drafted. The Troubled Families Service were recently subject to an inspection by the Ministry of Housing, Communities and Local Government and were advised to increase their number of claims and also review their Outcome Plan. Each claim must be subject to assurance testing by the Audit & Counter Fraud Team and consultancy has also been requested for the review of the service's Outcome Plan.
- 6.4. With the loss of resources already mentioned, it is not possible to undertake this additional assurance work with the current planned work. Consequently, it has been necessary to determine whether the work could be undertaken in place of an audit review that formed part of the original plan.
- 6.5. We are proposing the following amendments to address the loss of resources and respond to changes in risk levels that have been identified;

- Removal of the audit for Commercial Property Management (15 days) – While the authority has plans in place for the acquisition of commercial property, there is yet to be any investment and therefore no management controls to review.
- Reduce the number of schools from five to four (10 days) – A budget of 75 days was set for the review of five schools (15 each). However, due to concerns raised by the Chair of Governors at one school, it was necessary to commence one of the reviews early and with an increased allocation to allow for the greater depth of work required. Consequently, there is an insufficient allocation to complete all five; four would still mean there has been a 10% review.
- Defer the audit review of Looked After Children Reviews (15 days) to 2019-20 – The service was one of a number that were recently subject to a Joint Targeted Area Inspection (JTAI). This inspection has covered some of the areas that would have been the focus of the audit and has made recommendations. It is our opinion that it would be more beneficial to the council if we relied upon the assurance from this review for 2018-19 and then conducted an internal review in 2019-20 to ensure that recommendations from the JTAI have been actioned and also pick up any areas not covered under the JTAI.
- Defer the audit of transparency to 2019-20 – This area is represents a lower level of risk than those connected to the Troubled Families Service. In addition, the approach to meeting the requirements of the Transparency Codes are about to be subjected to significant review by the Information Governance Team with complete changes to processes. It is therefore felt that the resources available for the remainder of 2018-19 should be directed to Troubled Families to provide the council with the assurance required.

6.6. The proposed changes only recover 40 of the 91 audit assurance days lost; however, we are not proposing the removal of any further reviews at this time to address the remaining 51. Some time savings are likely in the event that scheduled reviews do not use all of their planned days, the projections include allowances for staff sickness that may not occur and there may be some non-statutory elements of the service that can have their allocations reduced to compensate if necessary.

6.7. We must ensure that an adequate level of work can be completed in order to deliver the Council's annual assurance statement. The resource budget is being monitored continually to take account of any unpredicted changes that impact on resource. In the event that the impact does require further changes to the number of assurance reviews, these proposed changes will be brought to the committee for approval but we do not want to take this approach unless absolutely necessary.

7. Follow up of agreed recommendations

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

7.2. It was agreed that service managers will be asked to provide an update on action taken towards implementing all recommendations agreed, but they will also be asked to supply evidence to confirm the action stated and the Audit & Counter Fraud Team will verify this. In addition, recommendations made as part of proactive and reactive counter fraud work will be incorporated into the follow up process to ensure action is taken to address fraud risks identified.

The table below sets out the position on all recommendations made.

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
Heritage Buildings	<p>Opinion: Needs strengthening</p> <p>Seven recommendations: six high and one medium priority.</p> <p>Recommendations relate to clearer communication of roles and responsibilities in the maintenance of heritage assets.</p>	<p>Seven recommendations due, none implemented.</p> <p>Six high priority and one medium priority outstanding relating to clearer communication of roles and responsibilities in the maintenance of heritage assets.</p>
Income collection	<p>Opinion: Needs strengthening</p> <p>Two recommendations: one high and one low priority.</p> <p>Recommendations relate to the creation of written procedures for the processing of refunds and the creation of a refunds policy available to staff and members of the public.</p>	<p>Two recommendations due, none implemented.</p> <p>One high and one low priority outstanding relating to the creation of written procedures for the processing of refunds and the creation of a refunds policy available to staff and members of the public.</p>
Information Requests 2016-17	<p>Opinion: Needs strengthening</p> <p>Seven recommendations: one high, five medium and one low priority.</p> <p>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.</p>	<p>Seven recommendations due, seven implemented.</p>
Information Requests 2017-18	<p>Opinion: Needs strengthening</p> <p>Two Recommendations: one medium and one low priority.</p> <p>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.</p>	<p>One recommendation due, none implemented.</p> <p>One medium priority outstanding relating to all templates relating to information requests being made available on the staff intranet.</p> <p>*please note this recommendations was due for implementation by 31 August 18 and no management response had been received by the report deadline.</p>
Project Management	<p>Opinion: Sufficient</p> <p>One recommendation: one medium priority relating to inclusion of change management on the intranet and as part of the project management toolkit.</p>	<p>One recommendations due, one implemented.</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
Common Housing Register	<p>Opinion: Strong</p> <p>Two recommendations: one high and one low priority relating to policy and procedure updates.</p>	Two recommendations due, two implemented.
Risk Management Framework	<p>Opinion: Needs strengthening</p> <p>Four medium priority recommendations relating to staff training and ensuring completion of service plans and risk registers.</p>	<p>Four recommendations due, two implemented.</p> <p>Two medium priority outstanding relating to a review of training arrangements and a process to identify and report which services do not have a service plan on Pentana.</p>
Adoption & Fostering Expenses Claims	<p>Opinion: Weak</p> <p>Twelve recommendations: seven high and five medium priority relating to creating a code for the fostering panel, establishing the criteria of expenses and producing policies and procedures, undertaking an annual review of rates, modifying claim forms, spot checking the reasonableness of claims and putting a process in place to ensure duplicate payments are not made and updating the finance manual.</p>	<p>Twelve recommendations due, eleven implemented.</p> <p>One medium priority recommendation outstanding relating to updates to the adoption finance manual.</p>
Child Sexual Exploitation	<p>Opinion: Needs Strengthening</p> <p>Four recommendations: three high and one low priority relating to analysis of referrals, providing briefing instructions to staff, providing awareness training to service managers and all other staff.</p>	<p>Four recommendations due, one implemented.</p> <p>Three high priority outstanding relating to analysis of referrals, providing briefing instructions to staff, providing awareness training to service managers and all other staff</p>
Fostering – Payments to Carers	<p>Opinion: Needs Strengthening</p> <p>Five recommendations: three high and two medium priority relating to ensuring that a consistent approach to awarding carer payments is put in place by producing policies and procedures and training staff in applying them and that payments should be reviewed 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, to include carer responsibilities regarding overpayments in carer agreements, confirming any changes to in-house carer</p>	<p>Five recommendations due, three implemented.</p> <p>One high and one medium priority outstanding relating to ensuring that a consistent approach to awarding carer payments is put in place by producing policies and procedures and training staff in applying them and that payments should be reviewed annually and confirming any changes to in-house carer payments in writing.</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
	payments in writing and recording IFA cost details onto the child's record in Frameworki.	
Regeneration	<p>Opinion: Needs Strengthening</p> <p>Nine recommendations: seven high and two medium priority relating to the improving governance arrangements, budget monitoring and risk management of projects.</p>	<p>Nine recommendations due, six implemented.</p> <p>Two high and one medium priority outstanding relating to expenditure only being applied to cost codes once appropriately approved, finance issuing procedures for approval of journals and more effective budget monitoring for capital projects.</p>
Children's Services 16-19 Strategy 2016-2020	<p>Opinion: N/A as this was a consultancy review</p> <p>One high priority recommendation to review and update the strategy.</p>	<p>One recommendation due, none implemented.</p> <p>One high priority outstanding relating to a review of the strategy.</p> <p>*please note this recommendations was due for implementation by 31 August 18 and no management response had been received by the report deadline</p>
Adult Education	<p>Opinion: Sufficient</p> <p>One low priority recommendation relating to ensuring staff comply with the process to ensure courses are viable to run.</p>	<p>One recommendation due, none implemented.</p> <p>One low priority outstanding relating to ensuring staff comply with the process to ensure courses are viable to run.</p> <p>*please note this recommendations was due for implementation by 31 August 18 and no management response had been received by the report deadline</p>
Adult Social Care Strategy 2016 - 2020	<p>Opinion: Sufficient</p> <p>One high priority recommendation relating to ensuring a clear trail of how the strategy delivery plan actions are linked to service plans.</p>	<p>One recommendation due, none implemented.</p> <p>One high priority outstanding relating to ensuring a clear trail of how the strategy delivery plan actions are linked to service plans</p>
Burnt Oak School	<p>Opinion: Sufficient</p> <p>Three recommendations: two high and one medium priority relating to payments to Place2Be being approved by governing body, changes to the use of petty cash and the location of the safe key</p>	<p>Three recommendations due, three implemented.</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
Business Continuity Planning	<p>Opinion: Needs Strengthening</p> <p>Two high priority recommendations relating to ensuring managers annually review their BCP and training being provided to staff.</p>	<p>One recommendation due, none implemented.</p> <p>One high priority outstanding relating to ensuring managers annually review their BCP.</p> <p>*please note this recommendations was due for implementation by 31 August 18 and no management response had been received by the report deadline</p>
Coroners Service	<p>Opinion: Sufficient</p> <p>One medium priority recommendation relating 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</p>	<p>No recommendations due</p>
Crest Infant & Nursery School	<p>Opinion: Needs Strengthening</p> <p>Ten recommendations: six high and four medium priority relating 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.</p>	<p>Ten recommendations due, ten implemented.</p>
Deprivation of Liberty Arrangements	<p>Opinion: Needs Strengthening</p> <p>Three recommendations: one high and two medium priority relating 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.</p>	<p>Three recommendations due, three implemented.</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
Environmental Protection	<p>Opinion: Strong</p> <p>One low priority recommendation relating to enhancing procedural guides for staff.</p>	<p>One recommendation due, none implemented.</p> <p>One low priority outstanding relating to enhancing procedural guides for staff.</p> <p>*please note this recommendations was due for implementation by 31 August 18 and no management response had been received by the report deadline</p>
Financial Planning	<p>Opinion: Sufficient</p> <p>Two recommendations: one medium and one low priority relating to a review of the authority's reserve strategy and ensuring data is included for every year of the MTFP if available.</p>	<p>No recommendations due</p>
Housing Benefits	<p>Opinion: Strong</p> <p>One high priority recommendation relating to the counter-checking of payments made from the Discretionary Housing Payment fund.</p>	<p>One recommendation due, one implemented</p>
Information Governance (Data Protection)	<p>Opinion: Sufficient</p> <p>Two high priority recommendations relating to a process for ensuring all staff attend relevant data protection training with records of attendance maintained and a post implementation review with a programme of corporate monitoring to ensure ongoing compliance</p>	<p>One recommendation due, none implemented.</p> <p>One high priority outstanding relating to to a process for ensuring all staff attend relevant data protection training with records of attendance maintained.</p> <p>*please note this recommendations was due for implementation by 31 August 18 and no management response had been received by the report deadline</p>
Oaklands School	<p>Opinion: Sufficient</p> <p>One medium priority recommendation relating to declarations of interest being signed by those responsible for procurement.</p>	<p>No recommendations due</p>
Off Payroll Engagements	<p>Opinion: Needs Strengthening</p> <p>Three recommendations: two high and one medium priority relating 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</p>	<p>Three recommendations due, one implemented.</p> <p>Two high priority outstanding relating 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 and procedures being implemented for the structured ongoing</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
	implemented for the structured ongoing monitoring of off- payroll engagements.	monitoring of off- payroll engagements.
Safeguarding Adults	<p>Opinion: Sufficient</p> <p>Three recommendations: two medium and one low priority relating 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.</p>	No recommendations due
Special Education Needs & Disabilities Transport	<p>Opinion: Needs Strengthening</p> <p>Six recommendations: one high, three medium and two low priority relating 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.</p>	No recommendations have reached their due date but two have been confirmed as implemented.
St Peters School	<p>Opinion: Needs Strengthening</p> <p>Ten recommendations: two high and eight medium priority relating 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</p>	<p>Six recommendations implemented before the audit report was finalised.</p> <p>Four recommendations due, two implemented.</p> <p>Two high priority relating 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.</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
	<p>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>	
Staff Expense Reimbursement	<p>Opinion: Strong</p> <p>Two recommendations: one medium and one low priority relating 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</p>	<p>One recommendation due, none implemented.</p> <p>One medium priority outstanding relating to aligning declarations on electronic and paper claims.</p>
Sundry Debtors	<p>Opinion: Needs Strengthening</p> <p>Eleven recommendations: two high, seven medium and two low priority relating to 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, 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>One recommendation implemented before report finalised.</p> <p>Three recommendations due, none implemented.</p> <p>One high, one medium and one low priority relating to restricting access to users on Integra to ensure appropriate segregation of duties, reconciliations being signed and dated by officers preparing and checking/certifying.</p>
HR Self Serve	<p>Opinion: Needs Strengthening</p> <p>Three recommendations: one high, one medium and one low priority relating to electronic approval processes, staff delegations and subsequent notifications of roles and responsibilities</p>	<p>Three recommendations due, two implemented.</p> <p>One high priority outstanding relating to electronic approval processes.</p>
Ethics	<p>Opinion: Needs Strengthening.</p> <p>Seven recommendations: five high and two medium priority relating to improving employee awareness of policies relating to ethical conduct, review and enhancements of the Code of Conduct and improving processes to inform employees when policies change.</p>	<p>No recommendations due</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
Performance Data Quality	<p>Opinion: Sufficient.</p> <p>Three recommendations: One high, one medium and one low priority relating to counting rules being added to Pentana in respect of all current performance measures, a corporate Performance Data Quality Policy, a review of the style of the quarterly performance reports and a strategy relating to commercial ventures being written.</p>	<p>No recommendations due.</p> <p>One recommendation implemented before report finalised.</p>
Traded Services – Staffing Agency	<p>Opinion: Weak.</p> <p>Two recommendations: One high and one medium priority relating to protecting the Council’s legal position regarding service delivery and assurance that project management processes are followed.</p>	<p>No recommendations due.</p>
Medway Commercial Group – Governance & Accounting	<p>Opinion: Needs Strengthening.</p> <p>Four recommendations: Four high priority relating to improving performance reporting and financial monitoring</p>	<p>No recommendations due.</p> <p>One recommendation implemented before report finalised.</p>

Definitions of audit opinions & Recommendation Priorities

<p>Green – Risk management operates effectively and objectives are being met</p>	<p>Expected controls are in place and effective to ensure risks are well managed and the service objectives are being met. Any errors found are minor or the occurrence of errors is considered to be isolated. Recommendations made are considered to be opportunities to enhance existing arrangements.</p>
<p>Amber – Key risks are being managed to enable the key objectives to be met</p>	<p>Expected key or compensating controls are in place and generally complied with ensuring significant risks are adequately managed and the service area meets its key objectives. Instances of failure to comply with controls or errors / omissions have been identified. Improvements to the control process or compliance with controls have been identified and recommendations have been made to improve this.</p>
<p>Red – Risk management arrangements require improvement to ensure objectives can be met</p>	<p>The overall control process is weak with one or more expected key control(s) or compensating control(s) absent or there is evidence of significant non-compliance. Risk management is not considered to be effective and the service risks failing to meet its objectives, significant loss/error, fraud/impropriety or damage to reputation. Recommendations have been made to introduce new controls, improve compliance with existing controls or improve the efficiency of operations.</p>

<p>High</p>	<p>The findings indicate a fundamental weakness in control that leaves the council exposed to significant risk. The recommended action addresses the weakness identified; to mitigate the risk exposure and enable the achievement of key objectives. Management should address the recommendation as a matter of urgency.</p>
<p>Medium</p>	<p>The findings indicate a weakness in control, or lack of compliance with existing controls, that leaves the system open to risk, although it is not critical to the achievement of objectives. Management should address the recommendation within a reasonable timeframe.</p>
<p>Low</p>	<p>The findings have identified an opportunity to enhance the efficiency or effectiveness of the system/control environment. Management should address the recommendation as resources allow.</p>