

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

Audit & Counter Fraud Update

Medway Council

For the period:

1 September – 30 November 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 currently has an establishment of 14 officers, consisting of; the Head of Internal Audit & Counter Fraud, three Audit & Counter Fraud Team Leaders, eight Audit & Counter Fraud Officers (one post currently vacant due to three officers being part time, to be filled from 01 April 2019), 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 64% for Medway with the remaining 36% for Gravesham. The establishment at the time the Audit & Counter Fraud Plans for 2018-19 were prepared, 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 September to 30 November 2018 amounted to 331 days and 290 days (90%) were spent on productive audit and counter fraud work. Of this productive time, 159 days (55%) was spent on audit assurance and consultancy work, while 131 (45%) 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, the unexpected vacancy earlier in the year and the fact that one Audit & Counter Fraud Officer has taken flexible retirement from 01 September 2018 has affected the level of resources

available. To date this has resulted in a net loss of approximately 134 days from the original resource budget of 1174 days for Medway.

- 3.5. The vacancy was filled with effect from 15 October and the officer has now returned from sick leave.

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	Findings already reported to Audit Committee – September 2018 Meeting
10	Ethics	15	25.2	Final Report Issued	Findings already reported to Audit Committee – September 2018 Meeting
14	Customer Contact Centre – Adult Education Funding Arrangements	15	19.1	Final Report Issued	Findings already reported to Audit Committee – September 2018 Meeting
17	Final Accounts Preparation	15	15	Final Report Issued	Findings already reported to Audit Committee – September 2018 Meeting
28	Schools	50	51		Findings already reported to Audit Committee – September 2018 Meeting
30	Environmental Protection	15	26.2	Final Report Issued	Findings already reported to Audit Committee – September 2018 Meeting
31	Parks & Open Spaces	15	10.6	Final Report Issued	Findings already reported to Audit Committee – September 2018 Meeting
32	Medway Commercial Group - Governance & accounting	15	24.1	Final Report Issued	Findings already reported to Audit Committee – September 2018 Meeting
35	Traded services - Staffing Agency	15	16.7	Final Report Issued	Findings already reported to Audit Committee – September 2018 Meeting

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 been finalised.
2	Governance framework	15	7.9	Final Report Issued	The review considered the following Risk Management Objectives:

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>RMO1 – Providing assurance into the effectiveness of Medway Council’s governance framework.</p> <p>The council’s code of corporate governance is in line with the CIPFA Delivering Good Governance framework of 2016 and the testing carried out on a sample of the statements confirmed that the code is effective.</p> <p>Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: None.</p>
3	IT Asset Management	15	N/A	Fieldwork Underway	<p>The review will consider the following Risk Management Objectives:</p> <p>RMO1 - Arrangements are in place to know what physical IT assets have been paid for, where they are and who’s using them.</p> <p>RMO2 - Arrangements are in place to know what non-physical IT assets have been paid for, where they are and who’s using them.</p>
4	Business Planning	15	N/A	Fieldwork Underway	
5	Risk Management Compliance	15	N/A	Terms of Reference being prepared	
6	Purchase Cards	15	N/A	Fieldwork Underway	<p>The review will consider the following Risk Management Objectives:</p> <p>RMO1 - Access to corporate credit cards is adequately controlled.</p> <p>RMO2 - Corporate credit card expenditure is appropriate.</p>
7	Income collection	15	N/A	Terms of Reference being prepared	
8	Council Tax Recovery	15	N/A	Fieldwork completed, in quality control	<p>The review will consider the following Risk Management Objective:</p> <p>RMO1 - Arrangements are in place for the recovery of unpaid council tax liabilities.</p>
9	Payroll - Establishment Management	15	N/A	Terms of Reference being prepared	
10	Housing rents	15	N/A	Fieldwork Underway	<p>The review will consider the following Risk Management Objectives:</p> <p>RMO1 - Adequate arrangements are in place for the administration of the Council’s rent accounts.</p> <p>RMO2 - Income received is accounted for accurately and promptly.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
11	VAT	15	N/A	Fieldwork completed, in quality control	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	Final Report Issued	The review considered the following Risk Management Objectives: RMO1 - The council's budgets are appropriately monitored. Roles and responsibilities for budget monitoring are clear for senior managers and this information is being passed on to budget holders. Some budget holders indicated that they had not had specific training on how to monitor their budgets via Integra, so should be reminded that if they require extra training and support, it is available from the finance system team via i-share courses. There is a mechanism in place to provide budget holders with a monitoring statement to complete on a timely basis. Budget holders are reviewing their budgets and providing forecasts to finance as required. Service Managers are still required to take ownership of their budgets and the accountants work closely with them to achieve successful monitoring. One of the highest and most sensitive costs to the council is in the form of salaries and there are arrangements in place to ensure only authorised personnel have access to salary budget information. Opinion: Green RMO2 - The results of budget monitoring activities are appropriately actioned and reported. There are arrangements in place to produce updated year-end forecasts regularly and report the findings to senior management and council members.

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>The figures that are presented to council members are a true reflection of the current position and as up to date as possible taking into consideration the need to submit reports for meetings by specific dates. The budget monitoring process is a continuous process of monitoring actual costs and identifying areas where savings can be made. The monitoring process has arrangements in place to investigate significant variances, any actions made to mitigate these variances are monitored in the next round of monitoring and their successful delivery is reported back to senior managers and council members. There are arrangements in place to make virements to the budget lines and the financial limits for their approval are set out in the constitution.</p> <p>Opinion: Green. Overall Opinion: Green. Recommendations: One low priority. Recommendation relates to budget holders being made aware of available training.</p>
14	Schools	75	N/A	Underway	Four schools selected for review
	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	Removed from plan	As per agreement at September 2018 Audit Committee Meeting.
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

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					complaint was received about a missing delivery. Information relating to these reviews can be found in the table commencing on page 11.
Corporate risks assurance work					
16	Adult social care - Assessments & reviews of care packages	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objectives: RMO1 - Effective arrangements are in place for care plans assessments and reviews.
17	HR - recruitment (including Vetting)	15	N/A	Fieldwork completed, in quality control	The review will consider the following Risk Management Objectives: RMO1 - Adequate recruitment procedures are in place. RMO2 - Adequate recruitment vetting procedures are in place.
18	Traffic Management	15	N/A	Draft report with client for consideration	The review considered 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 legislation.
19	Community safety partnership (inc. action plan delivery)	15	N/A	Fieldwork Underway	
20	Bereavement Services (previously listed as Cemeteries)	20	N/A	Draft report with client for consideration	The review considered 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	Fieldwork Underway	
22	<i>Looked After Children - Reviews</i>	15	N/A	<i>Deferred to 2019/20</i>	<i>As per agreement at September 2018 Audit Committee Meeting. A member of the Audit & Counter Fraud Team will attend project meetings aimed at responding to the JTAI recommendations.</i>
23	Homelessness	15	N/A	Not Yet Started	
24	Shared Lives Scheme (Adult fostering)	15	N/A	Draft report with client for consideration	The review considered the following Risk Management Objective: RMO1 - Payments to foster carers are accurate and appropriately processed.

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
25	Private Housing Enforcement	15	N/A	Terms of Reference being prepared	
26	Housing Revenue Account Building Management – Compliancy	15	N/A	Terms of Reference being prepared	
27	<i>Commercial property management (including income)</i>	15	N/A	<i>Removed from plan</i>	<i>As per agreement at September 2018 Audit Committee Meeting.</i>
28	GDPR	15	N/A	Not Yet Started	
29	Elections & electoral registration	15	N/A	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - Adequate procedures are in place to ensure the ongoing maintenance of the Electoral Register.</p> <p>The system used by Electoral Services is a sophisticated program, which ensures the data entered complies with the current legislation. The Guidance issued by the Electoral Commission is comprehensive and identify the vast majority of situations that may occur. Using these tools the Electoral Register is maintained effectively, while still allowing the officers to manually check any variations, ensuring the Register’s integrity is preserved. Opinion: Green.</p> <p>RMO2 - Adequate procedures are in place to ensure that public engagement with the election process is maintained.</p> <p>A large part of the engagement process is the annual canvass, which did not form part of this audit. Electoral Services make good use of Medway’s social media feeds to promote the need to register as an elector. There is strategy in place which is reviewed on a regular basis to incorporate lessons learned. The public facing Council website is utilised outside of the annual canvas period to prompt users of other services, e.g. Council Tax, to share change of address information with Electoral Services. Opinion: Green.</p> <p>RMO3 - Adequate procedures are in place to ensure monies received in Electoral Services are handled correctly.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>While there are currently no written procedures, the service is undergoing a period of change, where some of the previously fee paying tasks they undertook are, under GDPR legislation, free of charge. This will greatly reduce the amount of requests where a fee is due. There is also due to be a change to staffing with new officers joining the team. This would be an ideal opportunity to memorialise the procedures. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: One high and two low priority.</p> <p>Recommendations relate to confirmation that old documentation has been destroyed, links between relevant public facing webpages to engage the public with Electoral services and memorialising the procedures for dealing with income received by Electoral Services, given the changes to fee paying tasks and staffing.</p>
30	Car parking – pay by phone	15	N/A	Fieldwork completed, in quality control	<p>The review will consider the following Risk Management Objectives:</p> <p>RMO1 - A written contract exists between Medway Council and RingGo, which is regularly monitored.</p> <p>RMO2 - Appropriate measures exist for the collection of RingGo income.</p>
31	Planning applications	15	N/A	Not Yet Started	
32	<i>Transparency</i>	15	N/A	<i>Deferred to 2019/20</i>	<i>As per agreement at September 2018 Audit Committee Meeting.</i>
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	Proposal to remove	<p>When attempting to commence this review the service identified that there was significant overlap with the review already being undertaken at item 16. This was not identified during the service consultation period before the plan was agreed and as a consequence we were unable to respond accordingly.</p>
36	School admissions	15	N/A	Fieldwork Underway	

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
37	Residents Parking permits	15	N/A	Draft report with client for consideration	The review considered the following Risk Management Objective: RMO1 - Adequate procedures are in place to prevent residential parking permit fraud.

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	Sickness within the service has impacted on our ability to undertake pro-active exercises as the available resource has been devoted to internal investigations and other assurance work.
40	Data matching exercises, including National Fraud Initiative and Kent Intelligence Network	52	N/A	Underway	Data matching for small business rate relief has taken place with a company called Destin Solutions, aimed at identifying companies with small business rate relief that appear to operate from more than one business premises. A number of cases linked to this exercise are still under investigation, so results will be provided when all cases have been concluded. Submissions for the 2018-19 National Fraud Initiative exercise have all been completed, with results likely to be received in January 2019.
41	Fraud awareness	10	N/A	Underway	No awareness training has taken place during the period but the team are preparing to deliver training at a parking services team meeting.

Responsive Assurance Activity

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
	Splashes Leisure Centre		4.4	Final Report Issued	The review considered the following Risk Management Objectives: RMO1 – Policies and procedures are in place to ensure the security of safe and strong room keys and combination codes and access to those is limited to those with a genuine business need. The review has identified weaknesses in controls as the office containing the safe key and the safe itself did not have appropriate restrictions on

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>access. Off duty staff were storing personal belongings in the office when visiting the centre as a member of the public to use the gym and officers that were not part of the approved list were able to access the safe to obtain change. Opinion: Amber.</p> <p>RMO2 – Controls are in place to ensure safes, cash registers and any other money storage device i.e. tea club, lottery or birthday club remains locked and secure at all times.</p> <p>During the course of the review it was identified that while the safe was closed during business hours, it was not locked, meaning there was unrestricted access. The office itself was also not locked. By regularly not locking the safe and office doors, staff were not ensuring effective controls were in place to minimise the opportunity for theft or loss from the safe.</p> <p>Management also identified that safe inspections had previously identified that till floats were short. These matters were not investigated further as the discrepancies were within identified tolerance levels. Opinion: Amber.</p> <p>RMO3 – Policies and procedures are in place to ensure there is an appropriate petty cash authorisation process. Procedures are in place to ensure an appropriate authorisation process has been implemented. Staff are aware of the need for prior approval and that receipts must also be attached. Opinion: Green.</p> <p>RMO4 – All cash collected is promptly reconciled to that expected and any significant discrepancies are investigated.</p> <p>The review has identified that procedures need improving to ensure cash is promptly reconciled and discrepancies investigated where appropriate. No concerns were identified in relation to reconciliations of the income being banked. Opinion: Amber.</p> <p>RMO5 – Cash collections are proportionate to income collected and in accordance with insurance policy. Arrangements are in place to ensure daily takings are banked; however, it was identified during the review that those procedures are not always followed to ensure cash is regularly</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>banked. This leads to an increase in the amount of cash being held in the safe, meaning that the potential losses in the event of a theft are also increased. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: Two high and three medium priority.</p> <p>Recommendations relate to ensuring the safe is locked at all times with access to keys appropriately restricted, access to the main office being controlled, with particular attention to restricting access during till reconciliations, ensuring staff are trained and understand cash management practices, improving reporting and investigation of discrepancies and aligning banking procedures with those of other Medway sports centres.</p>
	<p>Innovation Centre Medway – Virtual Office Service</p>		<p>6.7</p>	<p>Final Report Issued</p>	<p>The review considered the following Risk Management Objectives: RMO1 – Policies and procedures are in place to ensure that relevant information is supplied and verified regarding applicants wishing to make amendments to existing accounts.</p> <p>The review found that the virtual office arrangements have been in place for a number of years and are in need of refreshing to ensure they take into account the increasing sophisticated frauds/thefts perpetrated against companies. Currently the practice is to ensure photo ID is held for the person opening the virtual office account, but not to obtain a name or ID for any further individuals collecting the post. Accounts can be amended by phone, leaving the account and the ICM open to abuse and misappropriation of post. Opinion: Amber.</p> <p>RMO2 – Measures are in place to ensure parcels and/or post is only released to individuals authorised by the company/individual the post belongs to, and its collection is correctly recorded.</p> <p>The review found that the current process of not obtaining a name or ID for any individual (bar the account opener) who collects post leaves ICM in a vulnerable position. While the relaxed, informal nature of the ICM is what draws clients to it, it must be recognised that the security of the post received as part of the virtual office set up is vital to the continuing</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>success of this service and ensuring they can identify the person who has collected the post ensures this. By the introduction of relatively simple measures, a book that records the printed name of the person collecting the parcel as well as their signature, and ensuring only named individuals are given post, this can be remedied effectively. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: Two high and two medium priority.</p> <p>Recommendations relate to providing awareness training to ICM staff dealing with virtual offices, increasing verification processes both on account opening and for any subsequent amendments and enhancing security arrangements around the collection of post.</p>

Reactive Investigations work: external investigations

Area	Number of cases concluded	Summary of results
CTAX	19	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 £3,002. They have also identified additional liability of £4,356 for future years.
NNDR	5	A number of cases have been investigated as part of a data matching exercise to identify companies with small business rate relief that operate at more than one premises. These cases were concluded with no fraud after the matches were checked and found be separate companies, the discrepancies caused by errors in the way business names were recorded on council systems.
Housing	2	One referral was rejected and one case was concluded with no evidence of fraud.
Tenancy	1	Referral rejected as it did not pass risk assessment.

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
	The team has been involved in a number of disciplinary matters during the period. While the investigations themselves have been concluded, there are still hearings outstanding. Details will be provided once all appropriate action has been undertaken.

Other consultancy services including advice & information

Activity	Opinion, summary of findings & recommendations made
Troubled Families	The team have provided independent verification of the claims for funding from the Ministry of Housing, Communities & Local Government in relation to troubled families.
Local Transport Bus Subsidy Grant	Independent validation that bus subsidy grant funding had been spent in accordance with set conditions.

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	35 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, one Audit & Counter Fraud Officer has taken flexible retirement from 01 September 2018. With time available from other part time officers, we now have one FTE vacancy. The aim is to recruit with a view to the new officer commencing 01 April 2019.
LA Specific Performance Measurements			
A&CF8	Average cost per assurance review	£5,000	£4520
A&CF9	Proportion of available resources spent on productive work	90%	87%
A&CF10	Proportion of productive time spent on: assurance work consultancy work	65%	53% 2%
A&CF11	Proportion of productive time spent on: proactive counter fraud work reactive counter fraud work	35%	7% 39%
A&CF12	Proportion of agreed assurance assignments: Delivered Underway	95%	37% 29%
A&CF13	Proportion of assignments completed within allocated day budget	90%	100%
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%	67%
A&CF15	Proportion of recommended actions agreed by client management	90%	100%
A&CF16	Number of recommendations agreed that are: not yet due Implemented Outstanding	N/A	26 74 31
A&CF17	Proportion of recommended actions implemented by agreed date	N/A	70.5%
A&CF18	Number of referrals received	N/A	22
A&CF19	Number of investigations closed	N/A	28
A&CF20	Value of fraud losses identified, by fraud type a) cashable (losses that can be recovered)	N/A	Total: £7,358. £3,002 Council Tax plus £4,356 additional Council Tax for future years

Ref	Indicator	Target	Outturn for report period
	b) non-cashable (notional savings based on national estimates)		£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 due to be issued in Quarter 4 2018/19.
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	The Chair of the Audit Committee will be invited to provide input into the annual appraisal for the Head of Audit & Counter Fraud.
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. The most recent resource review projects a loss of approximately 134 days from the original budget of 1174 and a number of amendments to the plan were agreed at the meeting of the Audit Committee in September, which account for 40 of those days. As we have now been advised that the scheduled counter fraud review of Direct Payments overlaps with the assurance review of Adult social care - Assessments & reviews of care packages; it is proposed that the Direct Payments review be removed from the plan to further reduce the impact of the lost resource.
- 6.3. We continue to monitor the resource budget on a monthly basis to ensure that we are responsive to changes as soon as possible. must ensure that an adequate level of work can be completed in order to deliver the Council's annual.

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.

- 7.3. The first of the two tables below details the current position in relation to the follow up process and the second details recommendations that are now more than six months over their planned implementation date; along with an update from the relevant Service Manager/Assistant Director/Director

Status of Agreed Recommendations

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. 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. 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 2017-18	<p>Opinion: Needs strengthening</p> <p>Two Recommendations: one medium and one low priority. 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>Two recommendations due, none implemented.</p> <p>One medium and one low priority outstanding relating to the transparency data on the council website and all templates relating to information requests being made available on the staff intranet.</p> <p>*please note one recommendation was due for implementation by 30 November 18 and no management response had been received by the report deadline.</p>
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, four implemented.</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</p>	<p>Twelve recommendations due, twelve implemented.</p>

	place to ensure duplicate payments are not made and updating the finance manual.	
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, three implemented.</p> <p>One high priority outstanding relating to analysis of referrals</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 payments in writing and recording IFA cost details onto the child’s record in Frameworki.</p>	<p>Five recommendations due, five implemented.</p>
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, eight implemented.</p> <p>One high priority outstanding relating to 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>
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, one implemented.</p>
Adult Social Care Strategy 2016 - 2020	<p>Opinion: Sufficient</p>	<p>One recommendation due, none implemented.</p>

	One high priority recommendation relating to ensuring a clear trail of how the strategy delivery plan actions are linked to service plans.	One high priority outstanding relating to ensuring a clear trail of how the strategy delivery plan actions are linked to service plans
Business Continuity Planning	Opinion: Needs Strengthening Two high priority recommendations relating to ensuring managers annually review their BCP and training being provided to staff.	One recommendation due, one implemented.
Coroners Service	Opinion: Sufficient 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	One recommendation due, one outstanding relating to formalising the SLA with KCC
Environmental Protection	Opinion: Strong One low priority recommendation relating to enhancing procedural guides for staff.	One recommendation due, none implemented. One low priority outstanding relating to enhancing procedural guides for staff.
Financial Planning	Opinion: Sufficient 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.	Two recommendations due, two implemented
Information Governance (Data Protection)	Opinion: Sufficient 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	Two recommendation due, none implemented. Two high priority outstanding 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.
Oaklands School	Opinion: Sufficient One medium priority recommendation relating to declarations of interest being signed by those responsible for procurement.	One recommendation due, one implemented.
Off Payroll Engagements	Opinion: Needs Strengthening 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	Three recommendations due, one implemented. One 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.

	of IR35 assessments being retained and procedures being implemented for the structured ongoing 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>	Three recommendations due, three implemented
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>	<p>Six recommendations due, two implemented.</p> <p>One high, two medium and one low priority outstanding, relating to 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>
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 purchases.</p>	Ten recommendations due, ten implemented.

	One medium priority recommendation relating to receipts or a record of payment for all monies paid in by parents was rejected.	
Staff Expense Reimbursement	Opinion: Strong 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	One recommendation due, none implemented. One medium priority outstanding relating to aligning declarations on electronic and paper claims.
Sundry Debtors	Opinion: Needs Strengthening 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.	One recommendation implemented before report finalised. Three recommendations due, none implemented. 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.
HR Self Serve	Opinion: Needs Strengthening Three recommendations: one high , one medium and one low priority relating to electronic approval processes, staff delegations and subsequent notifications of roles and responsibilities	Three recommendations due, two implemented. One high priority outstanding relating to electronic approval processes.
Ethics	Opinion: Needs Strengthening. 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.	Two recommendations due, none implemented. One high and one medium priority recommendations outstanding relating to review and enhancements of the Code of Conduct and periodic reviews of the gifts & hospitality register. *please note these recommendations were due for implementation by 30 November 18 and no management response had been received by the report deadline.
Performance Data Quality	Opinion: Sufficient.	No recommendations due.

	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.	One recommendation implemented before report finalised.
Traded Services – Staffing Agency	Opinion: Weak. 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.	No recommendations due.
Medway Commercial Group – Governance & Accounting	Opinion: Needs Strengthening. Four recommendations: Four high priority relating to improving performance reporting and financial monitoring	One recommendations due, one outstanding. One high priority relating to The corporate client for recruitment services is required to have a process in place to receive KPI data and monitor performance against the agreed standards in the BTA. *please note this recommendation was due for implementation by 30 November 18 and no management response had been received by the report deadline. One recommendation implemented before report finalised.
Budget Monitoring	Opinion: Green One low priority recommendation relating to budget holders being made aware of available training.	No recommendations due.

Recommendations still outstanding more than six months after scheduled implementation date

Directorate	Audit & Counter Fraud Review title	Recommendation	Priority	Planned Implementation Date	Management Update
RCET	Heritage Buildings	For structures that do not have an allocated responsible officer (e.g. Roman and Medieval City Walls), an officer should be identified and a review of their condition should be undertaken and reported.	High	30 May 2018	
RCET	Heritage Buildings	A review of the ongoing viability of the council's management of the heritage buildings should be conducted prior to renewing the LMA in 2017; consideration should be given to options including negotiating a better deal for the council, or passing the management to English Heritage.	High	30 May 2018	
RCET	Heritage Buildings	Maintenance and repairs highlighted by condition surveys and a regular programme of maintenance activities should be undertaken with reference to the Local Management Agreement and information from English Heritage	High	30 September 2017	

		regarding “managing local authority heritage assets.			
RCET	Heritage Buildings	The role of council designated officers/service areas in relation to the maintenance and preservation of heritage buildings should be clarified in regard to what is covered by the Medway Norse FM Services contract and what needs to be picked up and funded separately by designated officers/service areas.	High	30 September 2017	
RCET	Heritage Buildings	A breakdown and cost analysis of what is spent on heritage buildings from the Medway Norse FM Services contract should be undertaken to assess if planned and reactive maintenance and repairs can be achieved within the budget allocated.	High	30 September 2017	
RCET	Heritage Buildings	Medway Norse should be made aware of the specific requirements relating to heritage buildings and should liaise with the appropriate service areas before undertaking any work on a heritage building to ensure that English Heritage guidelines and associated legislation are not	High	30 September 2017	

		contravened. These requirements should form part of any future contract/SLA documents.			
RCET	Heritage Buildings	Improved communication should be put in place between Medway Norse and the corporate client/service areas regarding what work will be undertaken and when to ensure it meets the operating model for the building and that Medway Norse are aware of any particular specifications and prioritisation of work.	Medium	30 September 2017	
BSD	HR Self Serve	Only Director or Assistant Director can approve posts to electronically authorise payment of expenses and irregular claims through self-serve. Providing they have approved a post to authorise payments the current practice requiring an authorised signatory form when new staff move into post is unnecessary. Removing this process will save time spent processing and saving unnecessary paperwork. To ensure the list of approved posts is correct HR should send Directors and Assistant Directors a list of	High	31 August 2017	This recommendation was agreed by the previous Service Manager and was already outstanding when the payroll service transferred to Finance. This will be picked up as part of the transformation programme being developed within the Payroll and HR service, which is due to start in the New Year. This should be part of the self service system automatically and not require signatures as is the case now.

		approved posts to review on an annual or bi-annual basis.			
BSD	Income Collection	Create a Refunds Policy which is available to the general public and employees outlining how a person can request a refund and appropriate evidence necessary for the authority to do so.	Low	30 September 2017	Unfortunately, this recommendation remains outstanding but will be implemented by 31 March 2019.
BSD	Income Collection	Create written procedures to ensure relevant staff apply refunds correctly.	High	30 September 2017	Unfortunately, this recommendation remains outstanding but will be implemented by 31 March 2019.
BSD	Off Payroll Engagements	Investigation to be conducted with Exchequer to ensure that no workers affected by the IR35 rules are paid via invoice on Integra.	High	28 February 2018	Supplier set ups have changed so that should prevent individuals being set up via Exchequer and not Payroll. This has been live all of this calendar year. This is an eForm involving Category Management and Exchequer. We have seen the number of invoices paid through Payroll and the relevant tad deducted increase as a result.
BSD	Regeneration	Finance to issue procedures for appropriate approval of journal transfers.	High	31 December 2017	All journals need to be approved by an authorised signature as per the Intranet Page. All journals are also checked by the Finance Strategy Team before they are passed to the Trainees to process. The Systems Team will be looking at potential areas where journals could be input direct into the system by staff and approved in certain circumstances by authorised signatures as is the case for Web Req orders

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>