

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

Audit & Counter Fraud Update

Medway Council

For the period:

1 December 2018 – 31 January 2019

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 December 2018 to 31 January amounted to 191 days and 168 days (88%) were spent on productive audit and counter fraud work. Of this productive time, 111 days (67%) was spent on audit assurance and consultancy work, while 57 (33%) 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.

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 | Findings already reported to Audit Committee – January 2019 meeting |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
|-----|----------------------------|------------|-----------|--|---|
| 3 | IT Asset Management | 15 | 13.9 | Final Report Issued | <p>The review considered 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>Appropriate procedures are in place to control the purchase of IT equipment and to monitor the use of IT assets via the use of the software programme, Snow. The service acknowledge Snow's potential to identify risks is underutilised. Audit testing found that Snow provides reports identifying where the council is potentially at risk from unsupported applications. The service demonstrates financial efficiency through its re-use of equipment, but should use an asset register to control the storage of this equipment. Opinion: Amber.</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> <p>The review found appropriate procedures in place to identify non-physical assets. The available software identifies under and over licensed applications which should be investigated to potentially generate financial savings and reduce the risk of receiving a fine. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: Two high and one medium priority.</p> <p>Recommendations relate to the management of Snow alerts, assets not picked up by the network for over a month, the production of asset registers relating to computers deemed suitable for reuse and those whose solid state drive has been removed, and over licensed applications and potential cost savings.</p> |
| 4 | Business Planning | 15 | N/A | Fieldwork Underway | <p>A consultancy review is being undertaken to establish:</p> <p>What business planning arrangements are in place across the council</p> |
| 5 | Risk Management Compliance | 15 | N/A | Fieldwork Underway | <p>The review will consider the following Risk Management Objectives:</p> <p>RMO1 - The Council's Risk Management Strategy is complied with</p> |
| 6 | Purchase Cards | 15 | N/A | Draft report with client for consideration | <p>The review considered 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> |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
|-----|------------------------------------|------------|-----------|-----------------------------------|---|
| 7 | Income collection | 15 | N/A | Terms of Reference being prepared | |
| 8 | Council Tax Recovery | 15 | 19.7 | Final Report Issued | <p>The review considered the following Risk Management Objective: RMO1 - Arrangements are in place for the recovery of unpaid council tax liabilities.</p> <p>The review found the processes in place for recovery of Council Tax were robust and functioning well. The service is affected by a lack of resources in Finance Operations, which delays clearing of payments into the relevant Council Tax accounts and can mean recovery action starts where it doesn't need to. The service are actively taking steps to increase recovery rates by targeting account holder behaviour with success. Following a successful project between Housing Benefits and HMRC regarding benefit overpayments, Council Tax have a project lodged with the Cabinet Office intended to drive a similar link between Council Tax departments and HMRC with the intention of further increasing recovery rates. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: None.</p> |
| 9 | Payroll - Establishment Management | 15 | N/A | Fieldwork Underway | <p>The review will consider the following Risk Management Objectives: RMO1 - The council's establishment is appropriately managed. RMO2 - The council's salaries budget is appropriately managed.</p> |
| 10 | Housing rents | 15 | 22.1 | Final Report Issued | <p>The review considered the following Risk Management Objectives: RMO1 - Adequate arrangements are in place for the administration of the Council's rent accounts.</p> <p>The review found that arrangements are in place for the annual rent review to be calculated by the Senior Accountant for each property type, and 2018/19 rent charges were appropriately approved by Cabinet and Full Council in February 2018.</p> <p>Arrangements are in place for tenants to be informed of their rent liability annually, and at tenancy sign up stage, where methods of payment are shown on the reverse of all letters and online.</p> <p>Arrangements are in place for quarterly rent variation checks, and monthly new tenancy checks to be carried out by the RCET Performance and Intelligence Hub.</p> |

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| | | | | | <p>Access to the system is requested via the ICT Service Portal, and key permission controls are in place and allocated, in relation to amending property & rent charges, creating provisional tenancies and confirming them.</p> <p>Omissions were found around the Housing Management System permissions and the confirmation of new tenancies in instances when the tenancy is managed by another department. Opinion: Amber.</p> <p>RMO2 - Income received is accounted for accurately and promptly.</p> <p>The review found that arrangements are in place for rental income and Housing Benefit payments to be automatically posted to individual rent accounts on a daily basis, and monthly & weekly reconciliations are carried out. At the time of audit both reconciliations were up to date and checked & signed off by the Housing Income Manager. Opinion: Green.</p> <p>Overall Opinion: Amber. Recommendations: Two medium priority.</p> <p>Recommendations relate to reviewing all users allocated key controls within the Housing Management System and ensuring that new tenancies created are confirmed by an additional authorised officer to ensure a segregation of duty is maintained in all instances.</p> |
| 11 | VAT | 15 | N/A | Draft report with client for consideration | <p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - VAT is reclaimed for all qualifying expenditure and promptly and accurately recorded in the accounting records.</p> <p>RMO2 - VAT is identified correctly on relevant income received, calculated accurately and promptly recorded in the accounting records.</p> |
| 12 | Insurances | 15 | N/A | Fieldwork completed, in quality control | <p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - The insurance contract currently held meets the council's insurance requirements.</p> <p>RMO2 - Insurance claims received by the council are appropriately processed.</p> |
| 13 | <i>Budget monitoring</i> | 15 | 13 | <i>Final Report Issued</i> | <i>Findings already reported to Audit Committee – January 2019 meeting</i> |
| 14 | Schools | 75 | N/A | Underway | Four schools selected for review |
| | Luton Juniors | 20 | 19.4 | Final Report Issued | The review considered the following Risk Management Objective: |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
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| | | | | | <p>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.</p> <p>The school voluntary fund contains money that has come directly from parents, fund raising events and other donations. The finance policy specifies the expenditure that this money can be used for but evidence shows that monies have been used for inappropriate expenditure. These funds should also be subject to an annual audit of the accounts but there are no records to suggest that this has ever taken place. If there are no audited accounts, the funds are considered public money and should be included on the school's quarterly returns to Medway Council School Finance Team. This demonstrates poor accounting practices and non-compliance with Medway Schools finance guidance.</p> <p>Staff responsible for approving payments appear to have failed to scrutinise and challenge their validity.</p> <p>The school finance policy contains inaccurate information as the School Business Manger named is no longer in post.</p> <p>The recruitment processes are not sufficiently documented and are poor with references not being correctly obtained and late submission of DBS checks, as well as a missing DBS in the case of one employee.</p> <p>There has been a failure to make accurate returns to Medway Council regarding school assets with a mini bus not being declared. Asset registers are also incomplete, leaving the school open to loss in the event that it was necessary to make an insurance claim.</p> <p>There has been non-compliance with Medway Council Gifts & Hospitality guidance.</p> <p>The Governing Body failed to scrutinise school expenditure at a sufficient level and make adequate challenges. Opinion: Red.</p> <p>Overall Opinion: Red. Recommendations: Eleven high, four medium and one low priority.</p> <p>Recommendations relate to changes to the school voluntary fund, a review of staff responsibilities and the school finance policy, updates to the school asset register, accurate records being maintained in relation to the booster sessions and associated overtime, overtime being agreed</p> |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
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| | | | | | by the Governing Body, the Chair of Governors approving Head Teacher expenses, payroll reports being signed by the officer preparing and the Head Teacher, a HR audit to check staff well-being and that recruitment procedures are correct, the raising of purchase orders and prompt processing of payments, ceasing the purchase of gifts and hospitality, new staff reimbursement processes and detailed records of all income streams. |
| | St John Fisher | | N/A | Fieldwork completed, in quality control | 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. |
| | Abbey Court | | 16.9 | Final Report Issued | <p>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.</p> <p>The IT asset Register contained insufficient information to safe guard the assets.</p> <p>The head teacher and governor expenses are not being reported annually to the governing body as agreed in the previous audit.</p> <p>The finance decisions by the governing body are not being adequately recorded in the minutes of their meetings.</p> <p>The process for monies collected from parents for the children’s snacks should be documented.</p> <p>The school are currently only raising purchase orders on the financial system for 32% of transactions, the testing showed that 50% of the transactions had signed pre-approval. To assist with the schools budget monitoring process, purchase orders should, whenever possible, be raised when the spending is agreed. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: One high, two medium and two low priority.</p> <p>Recommendations relate to improving the IT Asset Register that will comprehensively safeguard the school’s equipment; regular reporting of Head Teacher expenses to the governing body; comprehensive</p> |

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| | | | | | minutes of Governing body meetings and documentation of the process for the snack money fund in a suitable policy. |
| | Luton Infant & Nursery | | N/A | Proposal to remove | Due to the planned merger of Luton Infant and Junior Schools, it is proposed that this review be removed from the plan. |
| | <i>School 5</i> | | <i>N/A</i> | <i>Removed from plan</i> | <i>As per agreement at September 2018 Audit Committee Meeting.</i> |
| 15 | Responsive assurance work | 15 | N/A | Underway | No responsive assurance work undertaken during the reporting period. |
| 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 | Draft report with client for consideration | The review considered the following Risk Management Objectives: RMO1 - Adequate recruitment procedures are in place. RMO2 - Adequate recruitment vetting procedures are in place. |
| 18 | Traffic Management | 15 | 25 | Final Report Issued | 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. The review found that the council's website contains comprehensive information in regard to the application process for temporary road closures, though this does require updating. Appropriate application forms are in place for applications under both Section 14-16 of the Road Traffic Regulations Act 1984 and Section 21 of the Town Police Clauses Act 1847, which are also available on the website, however it would be beneficial for robust declarations to be added. Arrangements exist for Temporary Traffic Regulation Order (TTRO) applications to be processed, including ensuring that these are brought to the notice of those that may be affected as per legislation and for sealed orders to be produced. Audit testing carried out on 10 planned TTRO applications received in 2018 confirmed that the appropriate processes had been followed. |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
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| | | | | | <p>Procedures are in place for the details of all TTROs to be logged on a spreadsheet and for the documents associated with each application to be saved in a folder on the council's network. It was noted however that the status of TTRO applications cannot easily be identified, without scrutinising the paperwork saved in relation to each individual application.</p> <p>Fees and charges are agreed by Full Council on a yearly basis. The current fee for a section 14(1) planned works application is £1,223.60 and the fee for a section 14(2) emergency closure is £948.40. The fee for a closure under the Town Police Clauses Act 1847 is £65, however we were advised that none of the six applications made under this legislation in 2018 had been charged; there are currently no arrangements to document the reason for the charge not being applied.</p> <p>The guidance notes which accompany the TTRO application form are specific in stating that a charge of £50 per hour will be incurred if insufficient details or information leads to a delay in processing the application, however we were advised that this charge is not currently being applied, despite there being evidence of applications requiring additional information.</p> <p>Arrangements exist for invoices for Section 14 TTROs to be raised through Integra, however it is understood that generally invoices are raised a minimum of two months after the TTROs come into force due to current workload. If invoices have not been paid after 28 and 90 days, automated reminders are generated in Integra and are sent to the debtor, however there is no set procedure in relation to timescale and responsibility for recovering TTRO invoices which are not paid.</p> <p>At the time of audit there were 48 unpaid TTRO invoices with a total value of £56,246.90; 47% of the debt related to one debtor, however new applications were still being processed. Since being made aware that this level of debt was outstanding, authorisation has been given for letters to be sent to the current debtors advising that unless debt is paid, any future TTRO applications will not be processed.</p> <p>There are currently no written procedures in place for processing TTROs which may have contributed to inconsistencies in regard to processing</p> |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
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| | | | | | <p>invoices, chasing unpaid invoices and not applying extra costs as stated in the guidelines. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: Two high, four medium and one low priority.</p> <p>Recommendations relate to updating the 'Request a road closure' section of the council's website, adding robust declarations to the application forms for temporary road closures, enhancing existing records to ensure that the status of all temporary traffic order applications can be identified, ensuring that invoices are raised for Town Police Clauses Act applications or obtaining and retaining appropriate approval for the fees to be waived, applying the agreed additional charges for applications which require additional information, establishing robust procedures for the recovery of TTRO invoices, ensuring that TTRO services are not provided to debtors with excessive level of debts and producing procedure notes to support to TTRO process.</p> |
| 19 | Community safety partnership (inc. action plan delivery) | 15 | N/A | Draft report with client for consideration | The review considered the following Risk Management Objective: RMO1 – Effective arrangement are in place to deliver Medway's Community Safety Plan 2016-20. |
| 20 | Bereavement Services (previously listed as Cemeteries) | 15 | 20.5 | Final Report Issued | <p>The review considered the following Risk Management Objectives: RMO1 - Appropriate arrangements are in place for setting Cemetery and Crematorium fees.</p> <p>Full Council annually sets and approves The Cemetery and Crematorium fees. A schedule of fees and charges for bereavement services is in place for 2018 -2019 and is in part available on the council's website. The full list of funeral memorabilia and prices is extensive; some items are not available throughout the year and only the commonly available items have their prices published electronically. Further items are available to be purchased are listed in paper format. Opinion: Green</p> <p>RMO2 - Procedures are in place to ensure that income is collected and accounted for.</p> <p>Several procedures exist that must be adhered to in order for a burial or cremation to take place. The procedures used in the office were extensive but had not been reviewed recently and contained the personal names of</p> |

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| | | | | | <p>officers; some of whom were no longer with the service.</p> <p>An adequate process in place for customers to access the services offered for the Crematorium and the cemeteries. The booking of cremations involves the Funeral Director telephoning the section to book a slot for a service. This can be a lengthy process as the Funeral Directors also use it as an opportunity to check progress on other cases. Each cremation service has an allocated time slot, which means it could be booked online, incorporating a view of documents that have been received that could be visible to clients.</p> <p>The application forms contain the applicant's personal details, name, address, phone number, in addition to the information about the deceased. These application forms are stored on a number of hooks on the office wall and remain there until all the required documentation is available.</p> <p>The office is not accessible to the public, however, cleaning staff have access to the offices out of hours, meaning that personal data is not secure and presenting risks associated with a breach of GDPR.</p> <p>One officer administers the invoicing for services and at the time of testing was on leave making the obtaining of information difficult and time consuming. This highlighted concerns around resilience for the service in relation to this process.</p> <p>Cash and cheques are received in Bereavement Services, these are logged onto the ICON system and a receipt is issued to the customer. Cash is reconciled daily against receipts but this does not include cheques received.</p> <p>The section uses a petty cash system that enables the Service Manager to buy items required for a quick repair/maintenance job within the chapels or Crematorium. The purchases are currently authorised by an officer on the section; however, with the appointment of a new office manager, it may be more appropriate to review the level of authorisation in this process.</p> <p>Funeral directors have been doing business with the Crematorium for a number of years and have developed a good working relationship with Bereavement Services. However, new Funeral Directors using the service</p> |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
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| | | | | | <p>may not adopt the same approach to payment of fees and a Service Level Agreement would document the Council's expectations. Opinion: Amber Overall Opinion: Amber. Recommendations: One high, seven medium and one low priority. Recommendations relate to office procedures being reviewed and updated; installing an online booking system for cremations; updating the website pages relating to the service; storing personal information in a secure area to ensure GDPR compliance; the implementation of a Service Level Agreement for Funeral Directors; training for officers across the service; reconciliation processes being reviewed; a schedule for changes to door code combinations and improvements to the petty cash authorisation process.</p> |
| 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 | Terms of Reference being prepared | |
| 24 | Shared Lives Scheme (Adult fostering) | 15 | 19.3 | Final Report Issued | <p>The review considered the following Risk Management Objectives: RMO1 - An appropriate framework is in place for carer payments. Shared Lives is a service that prides itself on treating its service users as individuals and strives to find the best solution for all its users, while recognising that the needs of that individual may present urgent changes to service provision and that this cannot be predicted. While they administer the Shared Lives service they are reliant on other parties to gather information for them and to ensure they are kept abreast of all changes in their service users' circumstances. Opinion: Amber. RMO2 - Payments to foster carers are accurate and appropriately processed. Shared Lives historically have not provided an annual letter of fees or an annual statement for their carers, but acknowledge that this may provide a clearer idea of fees paid for both parties, especially where queries</p> |

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| | | | | | regarding payments are raised. The payments are made by one officer in Finance, allowing inconsistencies to be identified and challenged and also ensuring a consistent approach in clawing back overpayments. Opinion: Amber. Overall Opinion: Amber. Recommendations: One high and three medium priority. Recommendations relate to segregating purchasing and authorisation permissions, ensuring carers agreements are managed effectively and improved transparency with fees. |
| 25 | Private Housing Enforcement | 15 | N/A | Terms of Reference being prepared | |
| 26 | Housing Revenue Account Building Management – Compliancy | 15 | N/A | Fieldwork Underway | The review will consider the following Risk Management Objective: RMO1 - The council has arrangements in place to ensure the required safety checks are carried out on HRA properties so that the council meets its duties as a Landlord. |
| 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 | Terms of Reference being prepared | |
| 29 | <i>Elections & electoral registration</i> | 15 | N/A | <i>Final Report Issued</i> | <i>Findings already reported to Audit Committee – January 2019 meeting</i> |
| 30 | Car parking – pay by phone | 15 | 15.4 | Final Report Issued | The review considered the following Risk Management Objectives: RMO1 - A written contract exists between Medway Council and RingGo, which is regularly monitored. The review found that Medway Council procured the contract with Cobalt Technologies Limited in accordance with its contract procedure rules. Key Performance Indicators (KPI's) are checked and assurances can be provided that the scheme has grown in terms of transactions booked, new users and users extending their parking. Opinion: Green. RMO2 - Appropriate measures exist for the collection of RingGo income. |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
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| | | | | | The review found Medway Council clearly advertises its cashless parking option with RingGo, including how the scheme works and how users register for it. Enforcement officers are adequately trained in respect of RingGo and have been observed in the field demonstrating this. All income is reconciled and recorded on the general ledger, ensuring VAT is paid and income is assigned to the correct car park code. With examples of refunds being given, procedure notes are required to ensure there is a consistent approach to deal with these. Opinion: Green. Overall Opinion: Green. Recommendations: One medium priority. Recommendation relates to the implementation of refund procedures. |
| 31 | Planning applications | 15 | N/A | Proposal to defer to 2019-20 | |
| 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 | Fieldwork Underway | A consultancy review is being undertaken to establish: What policy management arrangements are in place through the use of NETconsent. |
| 34 | Counter Fraud | 7 | N/A | Terms of Reference Agreed with partners | An agreement was reached with Kent County Council and Tonbridge & Malling Borough Council to conduct reviews of the counter fraud service as the counter fraud function of all three authorities sits within their anti teams. Medway will review KCC, Tonbridge & Malling will review Medway and KCC will review Tonbridge & Malling. The Terms of Reference have been agreed between all partners and dates have been set for fieldwork and testing to be undertaken. |
| Counter Fraud Assurance Work | | | | | |
| 35 | <i>Adult social care - Self Directed Support (Personal Budgets)</i> | 15 | N/A | <i>Removed from Plan</i> | <i>As per agreement at January 2019 Audit Committee Meeting.</i> |
| 36 | School admissions | 15 | N/A | Fieldwork Underway | The review will consider the following Risk Management Objectives: RMO1 - Arrangements are in place to manage the application process for school places. RMO2 - Review arrangements to verify and monitor the information contained in the applications. |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
|-----|---------------------------|------------|-----------|---------------------|--|
| 37 | Residents Parking permits | 15 | 11.9 | Final Report Issued | <p>The review considered the following Risk Management Objective: RMO1 - Adequate procedures are in place to prevent residential parking permit fraud.</p> <p>The review found that a new online application system was introduced in September 2018, however this had not been publicised at the time the audit commenced. In addition there are no arrangements for information to be shared between the new application systems and the existing RPP system which means that information collected digitally, as well as information provided on paper application forms, must be manually entered into the RPP system, creating a risk of human error. A robust set of Terms and Conditions exists - which contains information regarding responsibilities of the applicant and consequences of false applications being made. This document is only available on the council's website and is not contained in the application form nor is it issued with the permit. Applicants are required to supply proof of residency dated within the last three months and proof of vehicle ownership with their application, however due to historical advice provided to the Parking Services Team in relation to data protection, copies of this evidence are not retained. Instead a note should be made on the application form of what evidence has been seen by officers. With evidence not being retained, there is a risk that if an allegation of RPP fraud was received, there would be no evidence to prove what fraudulent information the applicant had submitted. Audit testing carried out on a random sample of 20 RPP applications received within the last year identified four instances in which no notes had been made of the evidence seen; in a further six instances, evidence had been retained despite this not being the team's current procedure. Testing also found that record keeping is poor, with two applications in the sample that could not be found.</p> <p>Pre-printed parking permit paper is purchased in bulk and the RPP is then printed onto the paper. This is supplied with a silver security strip on it, however the paper is not stored securely within the office and therefore there is a risk that a member of staff could take the pre-printed paper and create their own RPP.</p> <p>RPPs must be renewed on an annual basis and letters are currently issued</p> |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
|-----|----------|------------|-----------|----------------|--|
| | | | | | <p>to RPP holders when the permit is due for renewal rather than obtaining email addresses in order to send automatic reminders. There is no application form in place for renewing or changing the details on a permit, with requests being accepted by email or over the telephone; the same issues therefore exist in relation to the declaration and Terms and Conditions. In addition, new evidence is not requested for permit renewals, therefore the only fraud prevention mechanism is that the permit is posted to the original applicant address, though the applicant could have a postal redirect in place. As such there is a risk that permits could be issued to applicants who are no longer eligible. There is no advice on how to report suspected fraud or misuse of RPPs on the council's website.</p> <p>Currently there is no way to verify that all income has been received in respect of RPPs as all types of permit income is attributed to one General Ledger code. In addition, due to limitations in the hardware used, Civic Enforcement Officers cannot be advised of the details of RPPs which have been cancelled.</p> <p>There are opportunities for some of the weaknesses identified to be rectified with the introduction of the new online application system.</p> <p>Opinion: Red.</p> <p>Overall Opinion: Red. Recommendations: Nine high, three medium and one low priority.</p> <p>Recommendations relate to a hyperlink being added on the council's Residents Parking Permits webpage to the new online application form, investigations being made with ICT Services in relation to integrating the new online application system and existing RPP system, Terms and Conditions being added to the paper based application form with an updated declaration, a Data Protection Impact Assessments (DPIA) being completed to assess the impact of retaining RPP application evidence, improving arrangements for verifying proof of residency and vehicle ownership for all RPP applications, parking permit paper being securely stored, applicant email address being added to the application form to automate renewal reminders, application forms being implemented for renewals and change of RPP details, including</p> |

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
|-----|----------|------------|-----------|----------------|---|
| | | | | | obtaining evidence to ensure ongoing entitlement to the RPP, conducting reconciliations to ensure full income from RPP sales is received, providing information on the council's website in relation to how to report concerns regarding RPP fraud or misuse, fraud awareness training for the Parking Services Team, investigating mechanisms for the Civil Enforcement Officers to be provided with information regarding cancelled permits, and declarations of interest forms being completed by the Parking Services Team. |

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. The KIN project has procured new software and data has been submitted for the first rounds of matching. Results are currently awaited. NFI matches were received at the end of January and work is now underway to determine how these will be assessed and investigated as appropriate. |
| 41 | Fraud awareness | 10 | N/A | Underway | No awareness training has taken place during the period but the team are due to deliver training at a parking services team meeting in February. |

Responsive Assurance Activity

| Ref | Activity | Day Budget | Days Used | Current status | Opinion, summary of findings & recommendations made |
|-----|----------|------------|-----------|----------------|---|
| | | | | | Nothing to report |

Reactive Investigations work: external investigations

| Area | Number of cases concluded | Summary of results |
|-----------------------------|---------------------------|---|
| CTAX | 13 | 11 referrals rejected as unsuitable for investigation One case closed no fraud and one closed following removal of the exemption/discount resulting in additional Council Tax liability of £473.20 and additional liability of £359.77 for future years. |
| No Recourse to Public Funds | 1 | Partnership working with the NRPF team and intervention from the counter fraud team during the application process prevented payment occurring in relation to a fraudulent claim. It is estimated that this has prevented a loss of approximately £3,926. |
| Housing | 3 | One referral rejected as unsuitable for investigation and one case was concluded with no evidence of fraud. In the third case, the customer was removed from the waiting list after it was identified that they had failed to report a change in circumstances that affected their eligibility. |
| Tenancy | 5 | Five referrals rejected as unsuitable for investigation |
| Right to Buy | 1 | Customer was found guilty during 2017-18 in relation to obtaining housing by deception and an attempted fraudulent right to buy claim. Case has been closed following successful recovery of the council property. |

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 |
|--|---|
| Falsification of Time sheets | No evidence of fraud found – no case to answer. |
| Undisclosed relationship with team member and bullying | Investigation determined that there was a case to answer but the employee resigned before a hearing occurred. |

| Allegation | Investigation activity & recommendations |
|---|--|
| Deliberate data breach – accessing records relating to an ex-partner. | Investigation determined that there was a case to answer. Employee received a final written warning following a hearing. |
| Deliberate data breach – accessing personal data in the form of an application form for internal vacancy. | Investigation determined that there was a case to answer but the employee resigned before a hearing occurred. |
| Deliberate data breach – accessing personal data in the form of an application form for internal vacancy. | Investigation determined that there was a case to answer. Employee received a final written warning following a hearing. |
| Deliberate data breach – accessing personal data in the form of an application form for internal vacancy. | Investigation determined that there was a case to answer. Employee received a written warning following a hearing. |
| <ul style="list-style-type: none"> • Serious or deliberate failure to comply with the Council’s relations protocol and Code of Conduct for Employees • Improper use of an official position • Wilful neglect of duties and responsibilities • Actions could be seen to bring reputational damage to the Council. • Sexual misconduct at work | Investigation determined that there was a case to answer in respect of four of the five allegations but the employee resigned before a hearing occurred. |

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. |
| Strategic Risk Management Group | Audit & Counter Fraud have a representative on this corporate working group, which supports the council in its efforts to co-ordinate Strategic Risk Management |
| GDPR/SIGG 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, 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% | 88% |
| A&CF10 | Proportion of productive time spent on: assurance work consultancy work | 65% | 64% 3% |
| A&CF11 | Proportion of productive time spent on: proactive counter fraud work reactive counter fraud work | 35% | 2% 31% |
| A&CF12 | Proportion of agreed assurance assignments: Delivered Underway | 95% | (Year to date) 59% 24% |
| A&CF13 | Proportion of assignments completed within allocated day budget | 90% | 30% |
| 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% | 10% |
| 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 | 52 112 31 |
| A&CF17 | Proportion of recommended actions implemented by agreed date | N/A | 78.3% (Year to date) |
| A&CF18 | Number of referrals received | N/A | 20 |
| A&CF19 | Number of investigations closed | N/A | 23 |
| A&CF20 | Value of fraud losses identified, by fraud type a) cashable (losses that can be recovered) | N/A | Total: £29,979.03. £473.20 Council Tax plus £359.77 additional Council Tax for future |

| Ref | Indicator | Target | Outturn for report period |
|--------|---|----------|---|
| | b) non-cashable (notional savings based on national estimates) | | years. Prevented loss of £3,926 linked to fraudulent NRPF application £22,000 One council property recovered (£18,000) and one waiting list removal (£4,000) |
| A&CF21 | Customer satisfaction with individual review/assignment | 95% | 90% (based on three reviews 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 and January, which account for 55 of those days. Two further changes are proposed to account for a further 30 days to reduce the gap in lost resources.
- As there are now plans to merge Luton Infant and Junior Schools, it is felt that it would be more appropriate to remove the audit of Luton Infant School from the plan, as processes will change when the schools merge. This means it would be more efficient to conduct a review of the newly formed primary school.
 - Defer the scheduled audit of planning applications to 2019-20. The audit still had not commenced as of 31 January and the Service have indicated that availability of their own officers means it is unlikely that the audit would be able to commence before the end of March 2019.

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.</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 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>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 recommendations was due for implementation by 30 November 18 and no management response had been received by the report deadline.</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, four 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, nine implemented.</p> |

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| Children's Services 16-19 Strategy 2016-2020 | Opinion: N/A as this was a consultancy review One high priority recommendation to review and update the strategy. | One recommendation due, one implemented. |
| Adult Social Care Strategy 2016 - 2020 | Opinion: Sufficient One high priority recommendation relating to ensuring a clear trail of how the strategy delivery plan actions are linked to service plans. | One recommendation due, one implemented. |
| Business Continuity Planning | Opinion: Needs Strengthening Two high priority recommendations relating to ensuring managers annually review their BCP and training being provided to staff. | Two recommendations due, two 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, none implemented. One medium priority 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. |
| 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. |
| 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 of IR35 assessments being retained and procedures being implemented for the structured ongoing monitoring of off- payroll engagements. | Three recommendations due, three implemented. |

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| <p>Special Education Needs & Disabilities Transport</p> | <p>Opinion: Needs Strengthening 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, four implemented. One medium and one low priority outstanding, relating to 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>Staff Expense Reimbursement</p> | <p>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</p> | <p>One recommendation due, one implemented.</p> |
| <p>Sundry Debtors</p> | <p>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.</p> | <p>One recommendation implemented before report finalised. Five recommendations due, two implemented. One high and two medium priority outstanding relating to restricting access to users on Integra to ensure appropriate segregation of duties, written procedures regarding the coding of VAT and a programme of corporate VAT training.</p> |
| <p>HR Self Serve</p> | <p>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</p> | <p>Three recommendations due, two implemented. One high priority outstanding relating to electronic approval processes.</p> |

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| 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>Two recommendations due, none implemented.</p> <p>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.</p> |
| 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>One recommendation implemented before report finalised.</p> <p>One recommendation due, none implemented.</p> <p>One medium priority outstanding relating to counting rules being added to Pentana in respect of all current performance measures.</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>One recommendation due, none implemented.</p> <p>One medium priority outstanding relating to protecting the Council’s legal position regarding service delivery.</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>One recommendation implemented before report finalised.</p> <p>One recommendations due, none outstanding.</p> <p>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.</p> |
| Budget Monitoring | <p>Opinion: Green.</p> <p>One low priority recommendation relating to budget holders being made aware of available training.</p> | <p>One recommendation due, one implemented.</p> |
| Elections & Electoral Registration | <p>Opinion: Green.</p> <p>Three recommendations: one high and two low priority relating 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> | <p>Three recommendations due, none implemented.</p> <p>One high and two low priority outstanding relating 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> |

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| Bereavement Services | <p>Opinion: Amber</p> <p>Nine Recommendations: One high, seven medium and one low relating to procedures being reviewed and updated; installing an online booking system for cremations; updating the website pages relating to the service; storing personal information in a secure area to ensure GDPR compliance; the implementation of a Service Level Agreement for Funeral Directors; training for officers across the service; reconciliation processes being reviewed; a schedule for changes to door code combinations and improvements to the petty cash authorisation process</p> | <p>Three recommendations implemented before report finalised.</p> <p>No recommendations due.</p> |
| Luton Junior School | <p>Opinion: Red.</p> <p>16 recommendations: eleven high, four medium and one low priority relating to the school voluntary fund, a review of staff responsibilities and the school finance policy, updates to the school asset register, accurate records being maintained in relation to the booster sessions and associated overtime, overtime being agreed by the Governing Body, the Chair of Governors approving Head Teacher expenses, payroll reports being signed by the officer preparing and the Head Teacher, a HR audit to check staff well-being and that recruitment procedures are correct, the raising of purchase orders and prompt processing of payments, ceasing the purchase of gifts and hospitality, new staff reimbursement processes and detailed records of all income streams.</p> | <p>Eight recommendations implemented before report finalised.</p> <p>Two recommendations due, two implemented.</p> |
| Residents Parking Permits | <p>Opinion: Red.</p> <p>13 recommendations: Nine high, three medium and one low priority relating to a hyperlink being added on the council's Residents Parking Permits webpage to the new online application form, investigations being made with ICT Services in relation to integrating the new online application system and existing RPP system, Terms and Conditions being added to the paper based application form with an updated declaration, a Data Protection Impact Assessments (DPIA) being completed to assess the impact of retaining RPP application evidence, improving arrangements for verifying proof of residency and vehicle ownership for all RPP applications, parking permit paper being securely stored, applicant email address being added to the application form to automate renewal reminders, application forms being implemented for renewals and change of RPP details, including obtaining evidence to</p> | <p>One recommendation implemented before report finalised.</p> <p>Three recommendations due, two implemented.</p> <p>One high priority outstanding relating to application forms being implemented for renewals and change of RPP details.</p> |

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| | <p>ensure ongoing entitlement to the RPP, conducting reconciliations to ensure full income from RPP sales is received, providing information on the council's website in relation to how to report concerns regarding RPP fraud or misuse, fraud awareness training for the Parking Services Team, investigating mechanisms for the Civil Enforcement Officers to be provided with information regarding cancelled permits, and declarations of interest forms being completed by the Parking Services Team.</p> | |
| Car Parking - Pay by Phone | <p>Opinion: Green. One Recommendation: one medium priority relating to the implementation of refund procedures.</p> | One recommendation due, one implemented. |
| Shared Lives Scheme (Adult Fostering) | <p>Opinion: Amber. Four recommendations: One high and three medium priority relating to segregating purchasing and authorisation permissions, ensuring carers agreements are managed effectively and improved transparency with fees.</p> | Three recommendations implemented before report finalised. No recommendations due. |
| Traffic Management | <p>Opinion: Amber. Seven recommendations: Two high, four medium and one low priority relating to updating the 'Request a road closure' section of the council's website, adding robust declarations to the application forms for temporary road closures, enhancing existing records to ensure that the status of all temporary traffic order applications can be identified, ensuring that invoices are raised for Town Police Clauses Act applications or obtaining and retaining appropriate approval for the fees to be waived, applying the agreed additional charges for applications which require additional information, establishing robust procedures for the recovery of TTRO invoices, ensuring that TTRO services are not provided to debtors with excessive level of debts and producing procedure notes to support to TTRO process.</p> | No recommendations due. |
| Abbey Court | <p>Opinion: Amber. Four recommendations: One high, two medium and two low priority relating to improving the IT Asset Register that will comprehensively safeguard the school's equipment; regular reporting of Head Teacher expenses to the governing body; comprehensive minutes of Governing</p> | Three recommendations due, three implemented. |

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| | body meetings and documentation of the process for the snack money fund in a suitable policy. | |
| IT Asset Management | <p>Opinion: Amber.</p> <p>Three recommendations: Two high and one medium priority relating to the management of Snow alerts, assets not picked up by the network for over a month, the production of asset registers relating to computers deemed suitable for reuse and those whose solid state drive has been removed, and over licensed applications and potential cost savings.</p> | No recommendations due. |
| Housing Rents | <p>Opinion: Amber.</p> <p>Two recommendations: Two medium priority relating to reviewing all users allocated key controls within the Housing Management System and ensuring that new tenancies created are confirmed by an additional authorised officer to ensure a segregation of duty is maintained in all instances.</p> | <p>One recommendation implemented before report finalised.</p> <p>No recommendations due.</p> |

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 | Walls have not and do not currently form part of Heritage Team remit. Property & Capital Projects respond to reports on condition of walls. Will be seeking confirmation from Property Services as to whether condition reviews have taken place. |
| 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 | High | 30 May 2018 | Review undertaken in discussion with Portfolio Holder and Director. Agreed the appropriate route was to agree a new LMA with English Heritage, taking into account amendments requested by Council. Amendments have been accepted by English Heritage who are drawing up a new two-year LMA for signing by both organisations. |

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| | | deal for the council, or passing the management to English Heritage. | | | |
| 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 regarding "managing local authority heritage assets. | High | 30 September 2017 | Delays have been caused by an internal restructure within English Heritage but they are now drawing up a new two year Local Management Agreement for signing by both organisations. |
| 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 | The new LMA with English Heritage will set out a number of ongoing maintenance issues, which will be the responsibility of the council. These will be used to form the basis of an annual SLA with Medway Norse to undertake these works and identify how they are funded. Works arising outside of this will be discussed with Medway Norse in conjunction with the Heritage Operations Manager and conservation officer as well as the council's property team to agree the appropriate procedure for the works to be undertaken. |
| 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 | Medway Norse to supply the Heritage Head of Service with financial information and also a list of the statutory inspections undertaken by Norse. These will identify if the appropriate funding is in place and any amendments required. (Awaiting evidence) |

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| 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 contravened. These requirements should form part of any future contract/SLA documents. | High | 30 September 2017 | Medway Norse meet the council's Conservation Officer and Heritage Operations Manager on a monthly basis to discuss works arising. These meetings to continue and copies of the minutes to be provided to the Heritage Head of Service. (Awaiting evidence) |
| 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 | As part of the new LMA, a working group comprising council and English Heritage representatives is being established to discuss and prioritise any works arising. Medway Norse have been invited to join the group to ensure efficient communication. |
| 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 | High | 31 August 2017 | This recommendation was agreed by the previous Service Manager and was already outstanding when the payroll service transferred to Finance. Implementation has been delayed due to the move to a hosted contract and the desire to include the change as part of the wider product transformation. Changes to structures (not the authorising side yet) have commenced. Revised implementation date 30 June 2019. |

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| | | 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 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, Revised implementation date 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, Revised implementation date 31 March 2019. |
| BSD | Sundry Debtors | The Exchequer Team Supervisor's Integra access should be amended to read-only access or monitoring access for data entry or maintenance of suspense accounts. | High | 30 June 2018 | Due to resourcing issues created by a lack of staff, the implementation of this recommendation has been delayed. The Exchequer Services Supervisor has been covering some of the duties not covered due to the vacancies. Reports are being run to show the entries she has been responsible for and are being counter signed at service manager level. Vacancies are in the process of being filled and the implementation of this recommendation will follow. Revised implementation date 30 June 2019. |

Definitions of audit opinions & Recommendation Priorities

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| <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> |

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| <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> |