

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

Audit & Counter Fraud Annual Report 2017-18

Gravesham Borough Council

1. Introduction

The Audit & Counter Fraud Shared Service was established on 1 March 2016 to provide internal audit assurance and consultancy, proactive counter fraud and reactive investigation services to Medway Council & Gravesham Borough Council.

The Chartered Institute of Internal Auditors (CIIA) defines internal auditing as: an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Audit & Counter Fraud Shared Service combines this role with working alongside the councils to manage their fraud risk, including work to prevent, detect and investigate fraudulent activity committed against the councils. The team also acts as the Single Point of Contact between both authorities and the Department for Work & Pensions Fraud & Error Service for their investigation of Benefits Fraud.

In accordance with the Public Sector Internal Audit Standards (the Standards), the Head of Audit & Counter Fraud provides Members with update reports detailing the work and findings of the team. The Standards also require that the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

2. Opinion of the Chief Audit Executive

The Accounts & Audit Regulations 2015 require local authorities to ensure that they have: *a sound system of internal control which— (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.* The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Audit & Counter Fraud Team has carried out all internal audit work in line with the Public Sector Internal Audit Standards and in accordance with our Quality Assurance & Improvement Programme.

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

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

- the results of all work carried out by the Audit & Counter Fraud Shared Service for Gravesham from the preparation of the Annual Internal Audit Report 2016-17 in June 2017 to the date of this report,
- follow-up of recommendations linked to audits from previous periods,
- Significant recommendations not accepted by management or acted upon and the consequent risks,
- The effects of any significant changes in the organisation's objectives or systems,
- Matters arising from previous reports to the organisation, and
- The results of work performed by other assurance providers.

Although limited to the risk areas considered in the services and functions that have been subject to review in the year; I am satisfied that sufficient internal audit work has been undertaken to allow us to

draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, system of internal control and governance processes.

While it has been identified that the authority has mainly established adequate internal controls within the areas subject to review during 2017-18, there are areas where compliance with existing controls should be enhanced or strengthened or where additional controls should be introduced to reduce the risk of loss to the authority. Where such findings have been made, recommendations have been made to management to improve the controls within the systems and processes they operate. Management have accepted responsibility for the implementation of these recommendations and follow up arrangements are in place to ensure that appropriate action is taken. The results of all work completed will be reported to the Finance & Audit Committee in accordance with the Audit & Counter Fraud Charter.

It is therefore my opinion that Gravesham Borough Council's framework of governance, risk management and system of internal control is adequate and effective, and contributes to the proper, economic, efficient and effective use of resources in achieving the council's objectives.

3. Independence

The Audit & Counter Fraud Charter was approved by Gravesham's Finance & Audit Committee in March 2018 and sets out the purpose, authority and responsibility of the team. The Charter sets out the arrangements to ensure the team's independence and objectivity through direct reporting lines to senior management and Members, and through safeguards to ensure officers remain free from operational responsibility and do not engage in any other activity that may impair their judgement. The work of the team during the period covered by this report has been free from any inappropriate restriction or influence from senior officers and/or Members.

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

4. Resources

The Audit & Counter Fraud Shared Service Team reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. At the start of the year, the team had an establishment of 14 officers (13.6FTE), made up of the Head of Audit & Counter Fraud, the Audit & Counter Fraud Manager, two Audit & Counter Fraud Team Leaders, nine Audit & Counter Fraud Officers and one Audit & Counter Fraud Assistant. All members of the team started in these posts with the launch of the shared service on 1 March 2016.

The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 36% for Gravesham with the remaining 64% for Medway. At the time the Audit & Counter Fraud Plans for 2017-18 were prepared, this establishment was forecasted to provide a total of 1,666 days available for audit and counter fraud work (net of allowances for leave, training, management, administration etc.) The Audit & Counter Fraud Plan for Gravesham was prepared with a resource budget of 622 days.

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

during the year and an agency employee was hired for a period of three months to supplement resources.

As of 31 March 2018, the net staff days available for Gravesham for 2017-18 amounted to 562 days and 484 days (86%) were spent on productive audit and counter fraud work. Of this productive time, 66% was spent on audit assurance and consultancy work, while 34% was spent on pro-active counter fraud and investigations work. The current status and results of all work carried out are detailed at section 5 of this report.

Learning and development needs and objectives were agreed through the Performance Development Review (appraisal) process, and delivered through a mixture of formal qualification training, formal skills training, job-shadowing/mentoring and 'on the job' training. Away day team meetings have taken place every other month, and all team members have had regular one to one meetings with their line manager to monitor progress with work-plans and to continue to identify and support staff to become proficient in all aspects of the team's work.

5. Results of planned Audit & Counter Fraud work

The Audit & Counter Fraud Plan 2017-18 for Gravesham was approved by the Finance & Audit Committee in March 2017. The Plan was intended to provide a clear picture of how the council would use the Audit & Counter Fraud resources, reflecting all work planned for the team for Gravesham during the financial year including the council's core finance and governance arrangements, operational assurance work, proactive counter fraud work, responsive investigations and consultancy services.

Arrangements to monitor the delivery of planned work is built into the team's processes with individual officer time recording data feeding into an automated performance monitoring workbook; this tracks the performance of the team against the shared service work-plan as a whole and enables the supervisory staff to plan and support officers to deliver their individual work plans.

During the course of the year the plan was amended to take into account changes in resource levels, operational risk levels and objectives of the organisation. Members agreed revisions to the original plan for 2017-18 to remove planned reviews of:

- ICT Data Sharing - The project had not progressed, therefore no controls to audit
- Shared Services - At the time of the scheduled audit, Gravesham operated Shared Services for Payroll, Legal and Audit & Counter Fraud - Specific audits were already scheduled for Payroll and Legal Services so a broader audit would be duplication.
- Staff Performance Management Framework - The pending launch of the HR shared service was likely to have significant impact on processes, so it was felt that this would be more appropriate for 2018-19.
- Repairs & Maintenance Supplies Management – The project to make changes to the system and process was behind schedule. As a consequence this was deferred to 2018-19 at the request of the client.
- Waste & recycling project Post Implementation Review – The review was undertaken by the Corporate Change Manager and conducted independently of the service. Assurance would therefore be drawn from that review.

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

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

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
10	<i>Transformation – change & project management</i>	20	15	<i>Final Report Issued</i>	<p><i>The review considered the following Risk Management Objective:</i></p> <p><i>RMO1 - Appropriate arrangements have been put into place to ensure the delivery of the council's Transformation programme.</i></p> <p><i>The review found that the council has appointed a Corporate Change Manager and has a clear strategy for delivering transformational change in the form of the Change Strategy 2016-19, approved by Cabinet in March 2016, which outlines how the council will review and, where necessary, change the way it delivers its services to residents and businesses in the borough in order to make savings through financial efficiencies.</i></p> <p><i>All change projects to date have been appropriately approved and supported by a Project Manager and Project Group, though there is a need to standardise procedures to ensure that all relevant arrangements are in place from the outset of the project, including involvement of the Corporate Change Manager and communication to staff.</i></p> <p><i>Arrangements exist for appropriate financing to be sought for all change projects, however improvements are needed in relation to performance management arrangements to ensure that the success of change projects can be effectively measured. Two post-implementation reviews have been undertaken for change projects to date and lessons learned have been identified and incorporated into future projects.</i></p> <p><i>The implementation of recommendations resulting from the work of the Service Review Team is being led by the Service Review Team, with a number of reports to the council's Cabinet outlining the findings of the reviews and potential options. Monitoring of the implementation of the agreed options is being undertaken by Cabinet on a six monthly basis, with the first report being discussed at the meeting on 03 July 2017.</i></p> <p><i>The work of the Digital Team will be reviewed separately as part of the 2017/18 Audit & Counter Fraud Plan. Opinion: Amber.</i></p> <p><i>Overall Opinion: Amber. Recommendations: Three high priority, two medium priority and one low priority.</i></p> <p><i>Recommendations relate to the introduction of a change project initiation document, appointment of Project Managers / Groups at the point of project approval, the establishing of performance indicators to monitor the success of change projects, the timely communication of projects that affect large numbers of employees, corporate monitoring of the programme of change projects as a whole</i></p>

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					and the introduction of training / guidance for change project managers.
18	Business continuity – IT recovery	15	9.4	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - An appropriate Business continuity (IT) Plan is in place.</p> <p>The review found that there is Business continuity (IT) Plan in place which outlines the basic steps needed should the IT servers at the civic centre become un-useable but this needs updating once the new processes are in place. The contact details on the plan have been updated during the audit process and arrangements should be made to ensure they are regularly reviewed. There are documents available linking the IT plan to the council's main business continuity plan but information included in Appendix 4 of the council's overall plan is inaccurate. The generator to provide back-up power is only capable of providing power to the Ground and First Floors at the Civic Centre. The IT Team are currently working on a new project which will require them to produce a new business continuity (IT) plan. Opinion: Amber</p> <p>RMO2 - The Business continuity (IT) Plan is adequate and aids the effective delivery of key services in the event of an incident.</p> <p>The review found the critical systems required to be recovered following an incident have not been sufficiently identified. The decision on which systems should be prioritised for recovery in the event of an incident should be part of the overarching corporate business continuity plan. The IT plan contains details for the use of alternative servers, at the Brookvale site which had not been tested in the last five years. Prior to the audit the service identified these servers as inadequate and are near completion of an alternative back up via Medway Council. The new arrangements are due for completion by the end of May 2017 and will be tested to ensure they are capable of supporting all of the councils IT requirements in the event of a disaster. In the event of an incident all document data held on the council's drives and 94% of all other information is backed up at least once a day, and stored securely. The other 6% of data is currently backed up daily on to hard drives and is stored securely off-site. All staff in the plan are now aware of their roles and responsibilities. Opinion: Red</p> <p>Overall opinion: Red. Recommendations: Two high priority and two medium priority.</p> <p>Recommendations relate to regular reviews of the IT continuity plan and overarching business continuity plan, training for staff involved with implementing the plan and testing of backup servers and generators.</p>

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25	Prevention of procurement fraud	10	7	Final report issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 - Effective arrangements are in place to prevent procurement fraud.</p> <p>The review found that the South East Consortium (SEC) has been used for the past six years to obtain procurement services at the Brookvale Depot for the majority of planned works and servicing programmes within the Contracts Team (this includes servicing and planned works contracts). This arrangement has been reviewed to ensure that it is cost effective. There is a consortium agreement in place between Gravesham Borough Council and SEC which has been executed by Legal Services. Medway Council also provide procurement services to Gravesham Borough Council; this arrangement has been in place for approximately 18 months. There is not currently a contract or service level agreement for this arrangement. Gravesham Borough Council has appropriate Insurance cover of £1,000,000 for Employee dishonesty, computer fraud and funds transfer and forgery and counterfeiting. Procedures are in place to comply with the Government's Transparency Principles and details of all procurement contracts with a value of over £5,000 are published on a quarterly basis, however audit testing found that these are not always up to date.</p> <p>Opinion: Amber</p> <p>Overall opinion: Amber. Recommendations: One high priority and three medium priority.</p> <p>Recommendations relate to updating the Procurement Strategy, reviewing and formalising arrangements to secure procurement advice, strengthening controls to ensure all procurement activity specifically excludes suppliers convicted of fraud, bribery or corruption and ensuring transparency data is published in full on a timely basis.</p>
26	Prevention of creditors fraud	10	7	Final report issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 - Effective arrangements are in place to prevent potential Creditors fraud.</p> <p>The review found appropriate measures are in place to prevent fraud being committed by external parties, with arrangements in place to verify changes to all supplier bank account details and system controls to prevent duplicate invoices being paid. No evidence of fraudulent activity or fraudulent intent was identified, however a risk has been identified that there is the potential for a staff member to create or request a fraudulent supplier account containing bank account details other than the genuine details of the supplier (including their own), and that this would not be immediately identified. National Fraud Initiative exercises comparing supplier and payroll data are conducted on a bi-annual basis, which would identify any instances where suppliers</p>

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					<p>were set up with the bank account details as the account any employee has their salary paid to; however due to the infrequency of these exercises there is potential that any such fraud would go undetected for a significant time. An authorised signatories list is in place and is updated; however this is not stored in a secure location. In addition, although the total number of invoices and value of payments in each invoice batch is verified with the batch total, not all invoices are fully checked to ensure that they have been signed by an appropriate signatory due to time constraints, though endeavours are made to do this where possible. Opportunities were identified to introduce arrangements for monitoring and managing potential conflicts of interest. Opinion: Amber</p> <p>Overall opinion: Amber. Recommendations: Two high priority, two medium priority and one low priority.</p> <p>Recommendations relate to improving arrangements to verify the legitimacy of new and existing supplier accounts, enhancements to arrangements for approving invoices and maintaining an authorised signatory list and the introduction of arrangements to manage potential conflicts of interest.</p>

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

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
Core governance and financial systems assurance work					
1	<i>Finalisation of 2016-17 planned work</i>	8	30.3	<i>Complete</i>	<i>All 2016-17 planned work completed.</i>
2	<i>Performance Management</i>	10	3.1	<i>Complete</i>	<i>A&CF Officers worked with the Corporate Performance team to verify the 2016-17 corporate performance information reported.</i>
3	Corporate Governance	10	15.6	Final report issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 – Gravesham Borough Council’s Annual Governance Statement (AGS) provides a fair representation of the Authority’s governance arrangements.</p> <p>Gravesham Borough Council’s latest Code of Corporate Governance was adopted by Full Council in February 2017. The Code commits to the council delivering its local governance framework in line with the core principals of the CIPFA-SOLACE framework and demonstrates how compliance with each of the principles will be achieved. Although the latest Code of Corporate Governance aligns with the principles</p>

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					<p>of the 2016 CIPFA-SOLACE Framework, it was noted that it has not yet been incorporated into the council's Constitution.</p> <p>The council's Annual Governance Statement 2016-17 was presented to the Finance & Audit Committee on 13 June 2017 and provided information in relation to how the council complied with its Code of Corporate Governance and the CIPFA-SOLACE core principles in 2016-17.</p> <p>The review confirmed that the information provided within the 2016-17 AGS provides a fair representation of the council's governance arrangements, though enhancements were identified in relation to:</p> <ul style="list-style-type: none"> • Completion of a planned update to the council's Constitution, • Ensuring that the most up to date counter-fraud policies are provided on the council's website. Opinion: Amber. <p>Overall Opinion: Amber. Recommendations: Two high priority and one medium priority.</p> <p>Recommendations agreed, one high and one medium priority, relate to completion of planned review of the Constitution and ensuring up to date counter fraud policies are provided on the council's website.</p> <p>Recommendation rejected, one high priority, related to formalising arrangements to monitor completion of improvements identified via the AGS.</p>
4	IT Security – User Access Control	15	20.4	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 – Access to the council's network is secure.</p> <p>The Public Sector Network (PSN) provides a secure network for all local authorities in England and Wales, designed to ensure the transfer of sensitive data securely. Although the council is still connected to the PSN, IT Services are working on a resolution to some issues identified when last applying for a connection certificate.</p> <p>Various ICT policies and guidelines are in place, including the Information Security Policy Overview document that draws other IT policies together; these can be found on the staff intranet. The staff handbook also contains IT information that forms part of the induction process that should be undertaken by line managers. Some policies are sent to staff via NetConsent annually and new starters are sent policies to be read and accepted within the first ten days of service. However, as not all policies are regularly circulated, staff may be unaware of their content.</p> <p>It is understood that a process has recently been implemented by HR and the Digital team whereby requests for gaining access to or removing access from the network are input via a portal which automatically raises a support ticket within the IT</p>

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					<p>helpdesk system for action; however, this process is not yet mentioned in any of the IT policies available to staff.</p> <p>IT Services are largely reliant on notification from other service areas of the need to remove network access when an employee leaves the council. Audit testing comparing a list of network users to data supplied by Payroll identified 20 accounts that were no longer required; these have since been removed from the system.</p> <p>Appropriate arrangements are in place for breaches of the council's network to be prevented and detected. Opinion: Amber</p> <p>Overall Opinion: Amber. Recommendations: One high priority and three medium priority.</p> <p>Recommendations relate to completion of work required for the PSN connection, the updating and circulation of IT related policies, and ensuring that password reset options are activated.</p>
5	Payroll	15	8	Final report issued	<p><i>The review considered the following Risk Management Objective:</i></p> <p>RMO1 – The management of the payroll service contract between GBC and Medway council is complete and effective.</p> <p><i>There is a contract in place which defines roles and responsibilities between the service provider and the client however it has not been signed. For some areas it may be useful to clarify if the responsibilities at Gravesham are with the HR team or the Finance team to ensure all staff at Gravesham know their responsibilities.</i></p> <p><i>Within the SLA it refers to other documents, schedule 1, 2 & 3 and a specification. As only schedule 1 was available for the audit the remaining documents should be completed before the contract is signed. The section relating to the fees and charges is the most important of these.</i></p> <p><i>The contract does appropriately cover the process and procedures to ensure payments are accurate and paid on time, all starters and leavers are entered accurately and promptly, all changes to existing payroll data are accurately processed, reviews of the contract and that Data Protection protocols are observed.</i></p> <p><i>Appropriate procedures have been implemented to ensure payroll transactions are recorded accurately on the council's general ledger and are reconciled regularly.</i></p> <p>Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: One high priority and three medium priority.</p> <p>Recommendations relate to signing of the Payroll contract, General Ledger reconciliation and receipt of reports from Medway Council to provide assurance on</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<i>the service received.</i>
6	Building Security	10	24.6	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - There are sufficient security policies and procedures in place to enhance the security and safety of staff at the Civic Centre and Brookvale.</p> <p>The review found that a Security Policy for the Civic Centre and Brookvale has been produced, albeit, at the time of audit this has yet to be circulated to users of the buildings. Appropriate Closed Circuit Television (CCTV) systems are in place both inside and outside of the buildings; adequate opening and closing procedures are also in place and a comprehensive list of key holders exists.</p> <p>An Access Control System is in place for managing the security passes which allow access to council premises; enhancements have been identified to ensure that information within this system remains accurate and up to date. Opinion: Amber.</p> <p>RMO2 – There are sufficient procedures in place to ensure that visitors and contractors are adequately managed to enhance the security of the Civic Centre and Brookvale.</p> <p>Appropriate procedures are in place for admittance of visitors to council premises, although there is a need for staff to be reminded of the requirements of this process. Arrangements exist for access for contractors and temporary staff to be controlled via the Access Control System, though opportunities have been identified to ensure that information within this system remains accurate and up to date. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: Three high and two medium priority. Recommendations relate to finalisation of the Security Policy, enhancement of arrangements for managing the Access Control System and enhancement of arrangements for managing temporary passes.</p>
7	Risk Management Framework	10	10.1	Final report issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 – The council has installed an appropriate risk management framework within the organisation.</p> <p>The review found that there is a Risk Management Strategy in place with an appropriate framework to identify, analyse and determine controls to mitigate risks through the business planning process; weaknesses were however identified in relation to the completeness of several service risk registers. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: Two medium priority and two low priority.</p> <p>Recommendations agreed, two medium and one low priority, relate to ensuring that service risk registers are fully completed, ensuring roles and responsibilities are</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					clear and ensuring an appropriate link between corporate and service level risk management processes. Recommendation rejected, one medium priority, relate to staff guidance on the risk register template.
8	Creditors	10	N/A	Draft Report with client for consideration	The review considered the following Risk Management Objective: RMO1 - Key controls are in place for the effective management of the creditors system.
9	<i>Housing Benefit</i>	15	15.4	<i>Final report issued</i>	<i>The review considered the following Risk Management Objective: RMO1 – Housing Benefit is appropriately administered and accurately calculated. The review found that the Housing Benefit claim form is available on the council’s website and at the Civic Centre, along with information relating to the evidence required to support a claim. A direct link to a facility provided on the council’s website for reporting changes of circumstances is provided on the Housing Benefit webpage under the heading ‘Tell us something’s changed’ and by clicking on ‘3. Tell us’, this then splits into two types of changes (Changing address or Other changes). Whilst the customer is then prompted to sign up for a My Gravesham account they can continue without an account and complete the online Change of Circumstances form. Arrangements are in place for new claims and changes of circumstances to be accurately processed, on receipt of appropriate documentation, and procedures exist for claims to be backdated where necessary. An appropriate staff training strategy is in place and regular management checks and monitoring is undertaken to ensure claims are processed accurately and in a timely manner. Opinion Green. Overall Opinion: Green. Recommendations: None.</i>
10	<i>ICT Data Sharing</i>	-	-	-	<i>Removed from Plan. Agreed at November Finance & Audit Committee Meeting.</i>
11	Council Tax	15	15.0	Final report issued	The review considered the following Risk Management Objective: RMO1 - Arrangements are in place to Administer, Bill, Collect and Refund Council Tax. The review found that all liable parties and properties within the council tax system are uniquely identifiable, and regular reconciliations are carried out between council and Valuation Office Agency property records. The review also found that arrangements exist for annual bills to be sent to all banded properties, appropriate mechanisms are in place for taxpayers to report changes in circumstances and the council tax workflow is effectively managed.

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<p>The council tax base is calculated and approved on an annual basis by Full Council and testing confirmed that the parameters within the council tax system are in line with the 2017/18 approved charges, ensuring that the correct rate of council tax is applied to all chargeable properties.</p> <p>Audit testing confirmed that council tax payments are accurately credited to the correct accounts in a timely manner and arrangements exist for payments which cannot be credited to accounts be investigated and allocated; regular reconciliations are also carried out between the council tax and general ledger systems.</p> <p>Appropriate arrangements exist for the processing of council refunds; however opportunities were identified to enhance procedures in relation to the processing of refunds relating to card payments, back to the originating card. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: One medium priority and one low priority.</p> <p>Recommendations relate to ensuring that appropriate safeguards are in place to prevent duplicate refunds being paid and ensuring that staff are aware of the checks that need to be undertaken when creating liable parties within the council system.</p>
12	Housing Rent	15	7	Final report issued	<p><i>The review considered the following Risk Management Objective:</i></p> <p><i>RMO1 – Appropriate arrangements are in place to monitor and take action against current and former rent arrears within Gravesham Borough Council Housing Stock.</i></p> <p><i>The review found that set procedures are in place to monitor rent arrears for current tenants and tailored advice is provided where appropriate; audit testing confirmed that recovery action is taken in respect of current tenant arrears in line with council procedure.</i></p> <p><i>Procedures are also in place to support the recovery of former tenant arrears, although further action is needed to ensure these procedures are robust. At present, letters are sent to former tenants about their arrears, with action targeted to those accounts with the greatest likelihood of success, but no further action can be taken given the council does not currently have a contract with an Enforcement Agent; it is understood that the appointment of a Corporate Enforcement Agent is being discussed via the council's Corporate Debt Working Group.</i></p> <p><i>Arrangements exist for payments to be allocated to the correct rent accounts, though there is a need for manual procedures to be reviewed and additional measures put in place to ensure that direct debits are collected in a timely manner. Opinion: Amber.</i></p> <p><i>Overall Opinion: Amber. Recommendations: Two high priority and two medium priority.</i></p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<i>Recommendations relate to discussions on the use of Enforcement Officers to recover former tenant arrears; further measures to ensure that Direct Debits are collected in a timely manner; updating the procedure documents supporting the recovery of current and former tenant arrears; and, making details of the rent balance tracker available on the back of all rent arrears letters.</i>
13	Financial Planning	10	8.4	Final Report Issued	<p>The review considered the following Risk Management Objective: RMO1 - The council will have an ongoing plan to balance the General Fund revenue budget in the current year and in future years.</p> <p>The review found that the 2017-18 General Fund budget reflects the council's agreed priorities, resources available and legal requirements.</p> <p>Roles and responsibilities are defined or communicated to staff to ensure accurate and complete information is received to set the financial plan.</p> <p>There is a timetable in place for setting and approving the financial plan, enabling the budget to be set and agreed in a timely manner.</p> <p>The financial plan is reviewed and agreed at the appropriate level and monitored on a regular basis.</p> <p>Projected deficits are acknowledged and plans put in place to mitigate them. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: None.</p>
14	Capital Budget Management	10	12	Final report issued	<p>The review considered the following Risk Management Objective: RMO1 – Arrangements are in place for the appropriate management of capital budgets relating to Capital projects in the General Fund Account.</p> <p>The review found that an adequate and up-to-date 2017-18 general fund capital programme is in place, which has been appropriately approved. Arrangements are in place for frequent monitoring to be carried out on all scheme budgets as part of the quarterly budget monitoring process and a review of budget codes is undertaken quarterly by the Deputy Principal Accountant, to ensure all income & expenditure is coded correctly to the relevant general fund capital budgets. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: None.</p>
15	Market	10	N/A	Fieldwork Underway	<p>The review will consider the following Risk Management Objective: RMO1 - Arrangements for the collection and banking of market income are in place.</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
16	IT Infrastructure (Also listed as IT Licences & Telephony)	15	4.8	Final report issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – Arrangements exist for appropriate licence management.</p> <p>The authority holds an Enterprise Agreement with Microsoft, lasting three years, covering a certain amount of licences. Microsoft conducts an annual check to determine whether the required number of licences has changed.</p> <p>The authority has a portal known as the Snow Programme, supplied by Civica, which retains an accurate record of licences held as evidence of the current position. It provides reports on a monthly basis, identifying which licences are not being used and recommending their removal. On an annual basis Civica supply an effective licensing position (ELP) spreadsheet; showing increases and decreases in licences used over the year and provides a total figure, which enables the calculation of any cost savings.</p> <p>Access to the portal, which is also used for asset management, is restricted to four employees within the IT Helpdesk Team and Civica hold the only administrator rights to add or remove users.</p> <p>The use of this portal means that the authority is being pro-active and can evidence its licencing requirements in the event of a challenge from Microsoft. Opinion: Green</p> <p>RMO2 – Arrangements exist for the appropriate management and future provision of the authority’s telephony.</p> <p>The council has 45 lines supplied by Virgin Media and IT services can allocate individual extensions numbers ending 7000 to 7999. Extension numbers are allocated to posts and managed in the same way as network access; when notification is received advising of a new starter or a role change requiring amendments.</p> <p>In the event of an incident interrupting service on the council’s phone line, Virgin Media are able to divert the council’s main numbers to alternative lines to keep the service up and running.</p> <p>Bills are received but only reviewed if they are over the expected amounts or felt to be excessive.</p> <p>IT Services are aware that the current telephony system needs to be updated and a project is being commenced; the draft project plan is currently being drawn up with the expectation that the replacement of the telephony system will take place in 2018-19. Opinion: Green</p> <p>Overall Opinion: Green. Recommendations: None.</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
17	Responsive Assurance Work	8	8.6	Completed	<p>During 2017-18 the team have:</p> <ul style="list-style-type: none"> Carried out detailed checks to ensure the accuracy of spreadsheets used to verify the ballots issued and calculate the results of: <ul style="list-style-type: none"> The Kent County Council election in May The General election in June The October Bi-election Undertaken accuracy checks on Payroll data transferred to the new system following the transfer of Payroll administration to Medway Council. Verified control procedures within the bank reconciliation process following the implementation of the new income cash management and bank reconciliation system. Conducted a review of the gender pay gap statistical analysis
Corporate risks assurance work					
Ongoing financial viability of the council					
18	Digital Transformation	10	12.7	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 – Appropriate arrangements are in place to deliver digital transformation.</p> <p>The review found that a Digital Strategy for 2015-18 is in place, which was approved by Cabinet on 5 January 2015 and supports the council’s aims and objectives, as set out in the Corporate Plan 2015-19. A Digital Team has been created and the work of the team aligns with the 2015-17 transitional areas of focus set out in section four of the Strategy. The team’s priorities for the period 1 April 2017 to 31 March 2018 have also been appropriately documented within the Digital Team Business Plan 2017-18. There are plans for the Digital Strategy to be updated in 2018-19.</p> <p>Appropriate arrangements exist for digital transformation projects to be identified, with much of the work carried out by the Digital Team to date focused on the replacement of core systems and improvements highlighted by the service review process. Procedures are in place for the feasibility of all projects to be assessed, with projects approved by Management Team and /or Cabinet as necessary.</p> <p>Arrangements also exist for the delivery of all projects to be monitored by the Digital Team, though it would be beneficial for formal post-implementation reviews to be carried out in order to capture lessons learned and document successes and savings.</p> <p>Appropriate budgets exist for the delivery of digital transformation projects. Opinion:</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<p>Green.</p> <p>Overall Opinion: Green. Recommendations: One medium priority.</p> <p>Recommendation relates to implementing a process for conducting post-implementation reviews for all digital transformation projects.</p>
19	Contact Centre Operations	15	4.6	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – The Customer Service Team provides accurate, appropriate information to customers in a timely manner.</p> <p>Customer Services continues to provide a good quality service to customers, directing them to the appropriate service to help their needs. The service is committed to providing a quality frontline service, which is monitored well and is instrumental in driving forward the channel shift to digital platforms.</p> <p>The need for services to ensure the information they give Customer Services regarding changes to their working practices and special projects that might cause more phone calls or footfall is paramount and suggestions for improvements in this area have been identified. Opinion: Green.</p> <p>RMO2 – The Customer Service Team is taking an active lead in movement of customers to digital platforms.</p> <p>The Customer Services team is actively involved in signing up customers to ‘My Gravesham’ and eBilling and to promoting the council’s digital platforms. Intended changes to the Reception area and a better use of the screens in those areas to promote the channel shift will ensure that the team remains agile and able to respond effectively to enhancing the customer experience as they assist them to make to the change to self-help and face to face contact is reduced. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: Three medium and one low priority.</p> <p>Recommendations relate to aligning the period of the Customer Service and Access Strategy to that of the corporate plan, resuming the monitoring of webchat performance, Customer Services champions attending the team meetings of other services and a review of the main reception area as part of the strategy review.</p>
Changes in national priorities and legislative change					
20	General Data Protection Regulation	15	7.1	Final report issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 – Effective arrangements are in place to ensure compliance ahead of the introduction of the General Data Protection Regulation on 25 May 2018.</p> <p>The Information Commissioners Office (ICO) has put in place a 12 step guide for preparing for the General Data Protection Regulation. The review found some action is</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<p><i>being taken across the council to implement these 12 steps, though further work will be required before the GDPR comes into force in May 2018.</i></p> <p><i>At the time of audit, the council did not have a documented project plan in place to manage the implementation of the General Data Protection Regulation and show what is required, by whom and when. A risk assessment process was however underway to identify and prioritise the actions needed to ensure compliance with the GDPR and this will form the basis of a formal project plan, which will be monitored by the Information Governance Group. Opinion: Amber.</i></p> <p>Overall Opinion: Amber. Recommendations: One high priority.</p> <p>Recommendation relates to ensuring that a project plan is put in place and regularly monitored to ensure that requirements of the GDPR are met prior to May 2018.</p>
Organisational capacity / resilience					
21	Shared Services	-	-	-	Removed from Plan. Agreed at November Finance & Audit Committee Meeting.
22	Business Continuity	10	N/A	Draft Report with client for consideration	<p>The review was due to consider the following Risk Management Objective:</p> <p>RMO1 - Arrangements are in place to ensure each service has a updated and relevant Business Continuity Plan in place.</p> <p>However, consultancy work has taken place which will</p>
23	Member Development	10	12.5	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 - Arrangements are in place to provide Members with training and development.</p> <p>In 2016 a three year training plan was set for Members to ensure that they all received uniform training to keep them up to date on issues concerning the Council. The plan is subject to an annual review to take account of any additional sessions that may be required, either by changes in legislation or at the request of Members. The training provided is designed to assist Members in their roles as Councillors and in some cases to their roles on Committees. If Members do not attend the training they may not be properly trained in an area and this may affect their ability to make up to date, sound decisions. For example, in order for Members to sit on both the Regulatory Panel and the Licensing panel, they have to have taken the relevant training and attend periodic refresher courses. Audit testing found that there were adequate Members trained to sit on both panels.</p> <p>Cabinet agreed a minimum attendance level of ten Members (eight in some cases) for each training session to ensure that sessions also provided value for money. Only one course has been cancelled since the start of the training plan; which was due to bad</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<p>weather rather than insufficient sign up.</p> <p>All Members are able to attend any training session and invites are sent accordingly with specific training sessions that are relevant to Members of certain committee's flagged accordingly. A number of courses are noted as being recommended for all Members.</p> <p>A process is in place to monitor course attendance to ensure courses are delivered effectively and Members undertake the training required of them.</p> <p>Audit testing was undertaken, looking at training sessions delivered during the period July 2016 to November 2017.</p> <p>The testing identified that there were two courses recommending that all Members attend.</p> <p>Attendance figures showed that there had been 15 and 17 Members at the respective sessions.</p> <p>Testing also identified that 36 of the 44 Members (82%) had attended ten or less of the 24 training sessions provided during the period. Four Members were not listed on the attendance sheets of any training sessions.</p> <p>Feed- back is invited and welcomed on all training sessions, in order to establish if the course has achieved the objectives, identify any areas for improvement and also to rectify issues that may have arisen. Attendance and feedback on training sessions is reported to Overview and Scrutiny Committee twice a year. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: One low priority.</p> <p>Recommendation relates to Party Leaders being provided with attendance information on a quarterly basis.</p>
24	Legal & Contractual Advice (including Procurement)	10	7.1	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 – There are adequate arrangements in place to ensure Gravesham Borough Council receives the Legal Services and contractual advice it requires from Medway Council Legal Services.</p> <p>The contract clearly defines Medway Council's responsibilities and the scope of the work to be carried out for the council.</p> <p>Medway Council have appropriate resources available to carry out required work and arrangements exist to allocate the case load without bias or prejudice to either council.</p> <p>The council does have some monitoring/reporting procedures in place however this is not sufficient to ensure appropriate contributions are being made.</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<p>One requirement for monitoring will be around the funding element. The council are not independently monitoring the volume or the individual cost centres of the work being carried out by the Legal team and therefore will not be able to accurately calculate their required contribution at the end of the financial year or how it should be re-charged to their services.</p> <p>The senior management meet regularly with the Head of Legal and feel confident that any operational issues i.e. quality of work, complaints etc. can be discussed either at the meetings or privately by phone. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: One Medium priority.</p> <p>Recommendation relates to creating a suite of KPIs; that include all necessary information, and a reporting schedule being agreed by senior management.</p>
25	Staff performance Management Framework	-	-	-	Deferred to 2018-19. Agreed at November Finance & Audit Committee Meeting.
Housing Revenue Account services					
26	Housing Revenue Account Building Management – Compliancy	10	N/A	Draft Report with client for consideration	The review considered 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	Repairs & Maintenance Supplies Management	15	-	-	Deferred to 2018-19 as per client request.
28	Void Property Management & Re-let	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objective: RMO1 – Appropriate arrangements exist for void property management and re-let.
Waste & recycling Project					
29	Waste & recycling project Post Implementation Review	5	-	-	Removed from plan as review completed by Corporate Change Manager.

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
100% Business Rates Retention Scheme					
30	NNDR	10	14.8	Final Report Issued	<p>The review considered the following Risk Management Objective: RMO1 – There are processes in place to identify, record and share information about hereditaments in the borough.</p> <p>The review found that business rates information is held on the Northgate revenues and benefits management system, and the Local Land and Property Gazetteer (LLPG), which also contains a record of hereditaments in the borough, is held on a module in the Uniform Gazetteer management system.</p> <p>Records held on Northgate have a unique reference number which is also used by the Valuation Office Agency (VOA). Records on the LLPG are allocated a UPRN. There is a field on Northgate for the LLPG UPRN to be recorded, but it is not recorded on all records. Most of the records on the LLPG contain the Northgate reference.</p> <p>Regular reconciliation of records held in Northgate to records held by the VOA are carried out and signed off by management. It is not currently possible to run a match on records in Northgate to those held on the LLPG, although it is understood Northgate can provide a solution at a cost. At the time of audit, the LLPG contained slightly fewer records than NNDR records on Northgate, suggesting that Northgate contains a more complete list of hereditaments in the borough.</p> <p>A weekly report of updates from Northgate is provided for the LLPG and updates are also received via GeoPlace. The officer managing the LLPG provides information to the NNDR team when she is made aware of updates from other sources. Information is also received from Legal and Estates via email, but there is currently no set process for sharing hereditament information between council departments. With the introduction of the General Data Protection Regulation (GDPR) in 2018, data about hereditaments that is shared and includes personal data (e.g. a business run from a home address) should be subject to a Privacy Impact Assessment. Information about hereditaments is also received via Analyse Local; a company that uses satellite imagery. If they are successful and the VOA changes the rateable value they receive a commission.</p> <p>Arrangements exist for information received from the public regarding NNDR hereditaments to be updated on the Northgate system, where appropriate. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: One medium priority.</p> <p>Recommendation relates to consideration of data matching between council systems, data sharing between departments and ensuring compliance with the</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					GDPR.

Counter Fraud work

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
Counter Fraud Assurance Work					
31	Use of Council Vehicles	14.4	N/A	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p>RMO1 – Arrangements exist to ensure council owned/ leased pool vehicles are used appropriately.</p> <p>The authority is at risk of misuse of council vehicles and or fuel due to insufficient controls in place to monitor journeys and fuel usage in leased pool vehicles.</p> <p>While there is sufficient information available to monitor the use of fleet vehicles and fuel used at the depot; the authority is at risk of fleet vehicles and or fuel being used for non-work purposes due to the lack of controls in place to monitor journeys and fuel usage.</p> <p>Depot managers allow officers to take vehicles home on the understanding they attend site first thing the following morning or are required to attend out of hours' calls. There are sufficient controls in place to monitor officers' use of vehicles during the working day however no consideration has been made to consider monitoring of evening or weekend use outside the out of hours work undertaken. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: One high priority, one medium priority and five low priority.</p> <p>Recommendations relate to a policy with a definition of acceptable use, monitoring of fuel, use of council vehicles by officers from shared services, monitoring of tracker data on fleet vehicles, recording of mileage incurred using lease pool vehicles and the cost effectiveness of lease pool vehicles.</p>
32	Right to Buy	10	10.5	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 – There are adequate arrangements in place to prevent Right to Buy fraud.</p> <p>Gravesham Borough Council utilises the 'model' Right to Buy application form as produced by Department for Communities and Local Government (DCLG). The form is considered robust; however, a number of local authorities now use a supplementary claim form to obtain further information that is omitted from the DCLG application and establishes, amongst other things, how the applicant(s) intend to finance the</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<p><i>purchase the property. Many also include declarations regarding the source of funds to appropriately address the requirements of money laundering regulations.</i></p> <p><i>The Housing Services Business Plan makes no reference to the fraud risks associated with the Right to Buy scheme. Opinion: Amber.</i></p> <p><i>RMO2 – There are adequate arrangements in place to detect Right to Buy fraud.</i></p> <p><i>Details of applications are cross matched against internal systems; council tax and benefits for example, in an effort to verify the details provided. However, ID is only requested where documents are not already held. For example if there is ID on benefit records, no request will be made.</i></p> <p><i>There is no provision in place for visits to be conducted as part of the Right to Buy process to ensure that applicants are resident in their properties and are not sub-letting or otherwise committing tenancy breaches that would impact on the sale of the property. Opinion: Amber.</i></p> <p><i>RMO3 – There are adequate arrangements in place to investigate and deter Right to Buy fraud.</i></p> <p><i>A Housing Services Anti-Fraud Policy exists, which clearly sets out the authorities’ stance on all forms of housing fraud, including right to buy.</i></p> <p><i>Staff are aware of the means in which suspicions of Right to Buy Fraud can be reported to the Audit & Counter Fraud team and these are investigated but applications are often allowed to proceed regardless of concerns raised by investigators about potential fraud or money laundering suspicions.</i></p> <p><i>Deterrents would be more effective if the council took a stronger approach to blocking suspicious applications and publicised any successful action taken against those found to have committed fraud. Opinion: Amber.</i></p> <p><i>Overall Opinion: Amber. Recommendations: Five high priority and three medium priority.</i></p> <p><i>Recommendations relate to the introduction of secondary application forms, money laundering questionnaires, updates to the housing business plan, ID verification for all applicants, un-notified visits to all applicants, written procedures covering the verification process, the introduction of an enforcement policy and publicity of any positive actions taken in respect of right to buy fraud.</i></p> <p><i>One recommendation rejected, relating to the introduction of an enforcement policy. This is to be incorporated into verification procedures instead.</i></p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
Pro-Active Counter Fraud Work					
36	Data matching exercises, including National Fraud Initiative and Kent Intelligence Network	10	N/A	Completed	<p>Matches received as part of the 2016-17 exercise were distributed to relevant departments for checking to take place in order to eliminate any false positives and to report any concerns over suspected fraud to the Audit & Counter Fraud Team. No referrals were received in connection with these matches.</p> <p>The KIN project was paused mid-way through the year when the board parted company with the software supplier due to the lack of results. Consequently the anticipated level of data matching did not take place. Once a new software provider has been procured, data matching will recommence.</p> <p>Following the identification of a false university certificate being supplied in support of a council tax exemption, an exercise was commenced in March 2018 to look for further potential false student exemptions. This involved the certificates supplied by anyone in receipt of a student exemption, approximately 90 addresses, being examined for anomalies. Approximately 10 cases were identified for further investigation and enquiries with the relevant education body. The investigations are still ongoing and results will be reported throughout 2018-19.</p>
37	Fraud awareness	10	1	Completed	<p>A briefing session took place in early November where Members received a presentation outlining the potential financial losses when applying national estimates at a local level.</p> <p>Similar briefings will take place for MT and Service Managers.</p>

Reactive Investigations work: external investigations

Area	Number of cases concluded	Summary of results	Cashable Savings	Non-cashable Savings	Prevented Losses
Council Tax	18	<p>During 2017-18, 18 cases directly relating to council tax reduction, discounts or exemptions have been completed.</p> <p>As a result, those cases have identified additional Council Tax liabilities with a total value of £4,070.</p> <p>The changes to future awards of council tax reduction and the removal of discounts, such as single person discount, also mean that the Council Tax liability for future years was increased by</p>	<p>£1,419.52 (Total value for GBC share of additional liabilities identified and full value of all penalties applied)</p>		

Area	Number of cases concluded	Summary of results	Cashable Savings	Non-cashable Savings	Prevented Losses
		<p>£5,426.</p> <p>In addition, four people received civil penalties of £70 for negligent failure to report changes in their circumstances that impacted on their entitlement to a reduction or discount.</p> <p>This gives a total value of £9,776.</p>			
Tenancy	21	<p>The team has completed 21 investigations into suspected tenancy fraud, in connection with sub-letting and non-residence.</p> <p>Five council properties have been recovered as a result of those investigations,</p>		£90,000	
Right to Buy	2	<p>The team has completed two investigations connected to applications under the right to buy scheme.</p> <p>Fraud was identified in one case, where a family member had forged the signature of the elderly tenant. The subject of the investigation received a caution for the offence and the right to buy application was cancelled.</p>			£77,900
Housing Allocations	7	<p>Investigations were linked to persons applying for housing through the Homechoice scheme who were suspected to have had changes in their circumstances that impacted on their eligibility for housing that had not been reported.</p> <p>One person has been removed from the waiting list as a result of the investigation.</p>		£4,000	
Other	1	<p>An allegation was received in relation to an application under the rent deposit scheme after the tenant, who was being chased by Gravesham for repayment, advised that the landlord had not returned the deposit.</p> <p>This was not investigated further as it was a landlord tenant dispute rather than fraud against the authority but did prompt the addition of an</p>			

Area	Number of cases concluded	Summary of results	Cashable Savings	Non-cashable Savings	Prevented Losses
		assurance review of the rent deposit scheme on the 2018-19 workplan.			

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

Allegation	Investigation activity & recommendations
No investigations required during 2017-18	

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

Client service area	Services provided
HR Shared Service	The Head of Audit & Counter Fraud was part of the project group for the HR Shared Service with Medway.
Draft Finance Procedure Rules	Review undertaken of proposed draft procedures.
Automated Invoicing	Two of the Audit & Counter Fraud Officers were part of the project group overseeing implementation of the Creditors automated invoicing system.
Interreg France (Channel) England Go Trade Project	The Audit & Counter Fraud Team Leader has been appointed and undertaken training to deliver the First Level Controller role for Gravesham Borough Council as part of this project.
Finance	Review undertaken to provide advice regarding the control implications of opening a council EBay account for the sale or surplus assets.
Town Twinning Association	The team carried out an audit of the Gravesham Town Twinning Association's accounts.

6. Quality Assurance & Improvement Programme

The Standards require that: *The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.* A Quality Assurance & Improvement Programme (QAIP) has been prepared to meet this requirement. The Audit & Counter Fraud Shared Service QAIP for 2017-18 was agreed by Gravesham's Finance & Audit Committee in March 2017.

The arrangements set out in the QAIP have been implemented with the collection and monitoring of performance data largely automated through the team's time recording and quality management processes. It should be noted that the results recorded below have not been subjected to independent data quality verification.

In line with the QAIP, the team monitor performance against a suite of 25 performance indicators based on the balanced scorecard, covering the four perspectives; financial, internal process, learning & growth and customer. Performance targets have been set for 15 of the 25 indicators and outturns presented are those as of 31 March 2018.

Ref		Target	Outturn for 2017-18
Financial			
A&CF1	Total cost of the Audit & Counter Fraud Service (compared to the 2015-16 baseline year budgets)	N/A	GBC cost £191,652 (2015-16 £272,016)
A&CF 2	Average cost per assurance review	£5,000	£3,371 (24 reviews completed, averaging 10.4 days per review)
A&CF 3	Cost per A&CF day	£350	£323
A&CF 4	Value of fraud losses identified, by fraud type (cashable & non-cashable)	N/A	Cashable Total: £9,776 (proportion retained by Gravesham: £1,419.52) Breakdown: £4,070 historic Council Tax £5,426 additional Council Tax for future years £280 – four civil penalties imposed. Non Cashable Total: £171,900 Breakdown: Five properties recoveries @ 18,000 each One waiting list removal @ £4,000 Prevented loss of £77,900 connected to a blocked fraudulent Right to Buy
Internal Process			
A&CF 5	Compliance with PSIAS	100%	A refresh of the self- assessment was carried out in December 2017, which showed full compliance with 94% of the standards, partial compliance with a further 3% and work required to address the remaining 3%. The findings were passed to the external assessor from Gateway Assure as part of the External Quality Assessment (EQA) conducted in February 2018. The assessment was positive with performance in line with or above that of other local

Ref		Target	Outturn for 2017-18
			authorities as per benchmarking. Areas for improvement have been identified and an action plan to deal with recommendations has been prepared.
A&CF 6	Proportion of available resources spent on productive work	90%	86%
A&CF 7	Proportion of productive time spent on: a) assurance work b) Consultancy work	55%	Total 66% 63% 3%
A&CF 8	Proportion of productive time spent on: a) proactive counter fraud work b) reactive counter fraud work	45%	Total: 34% 1% 33%
A&CF 9	Investigator average caseload	TBC	10
A&CF 10	Proportion of agreed plan: Delivered (fieldwork completed) Underway (fieldwork current)	95%	91% 9%
A&CF 11	Proportion of assignments completed within allocated day budget	90%	54.5%
A&CF 12	Proportion of recommended actions agreed by client management	90%	96%
A&CF 13	Proportion of recommended actions implemented by agreed date	95%	80%
A&CF 14	Number of recommendations agreed that are: a) not yet due b) implemented c) outstanding	N/A	0 75 19
A&CF 15	Number of referrals received	N/A	68
A&CF 16	Number of investigations closed	N/A	49
Learning & growth			
A&CF 17	Proportion of staff with relevant professional qualification	25%	92%
A&CF 18	Proportion of non-qualified staff undertaking professional qualification training	25%	25%
A&CF 19	Time spent on CPD/non-professional qualification training, learning & development	70 Days	64.4 days
A&CF 20	Staff turnover	N/A	14.2%
A&CF 21	Proportion of completed reviews subject to a second stage (senior management) quality control check in addition to the primary quality control review	10%	4%

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

7. Follow up of agreed recommendations

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

Following the launch of the shared service, the follow up arrangements in place at both Gravesham and Medway were reviewed and a revised process, consistent across both sites, was agreed with senior management. It was agreed that service managers will be asked to provide an update on action taken towards implementing all recommendations agreed, but they will also be asked to supply evidence to confirm the action stated for all High Priority recommendations and the Audit & Counter Fraud Team will verify this. In addition, recommendations made as part of proactive and reactive counter fraud work will be incorporated into the follow up process to ensure action is taken to address fraud risks identified. The outcome of follow up work has been monitored by the council’s Management Team on a quarterly basis throughout the year.

The table below sets out the position of all recommendations which have formed part of the recommendation follow-up process during the 2017-18 financial year.

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
Planning Enforcement	Opinion: Amber Seven recommendations agreed: three high priority, three medium, one low. Recommendations related to the publication of policy and guidance on the council’s website and the development of procedure notes for staff, improving arrangements to monitor planning conditions, prioritising investigations of reports received and introducing specific arrangements to ensure all staff declare any interests.	Seven recommendations due, six implemented. One high priority recommendation outstanding – this is being monitored by senior management through quarterly reports to the council’s Management Team.

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
Section 106 Agreements & Other Planning Obligations	<p>Opinion: Amber</p> <p>Five recommendations agreed: three high priority, two low.</p> <p>Recommendations related to improving consistency of Management Team reports requesting changes to the establishment, ensuring appropriate formal agreements are in place where external contracted staff are used, and ensuring the salaries budget and information held by HR/payroll are regularly reconciled.</p>	<p>Five recommendations due, four implemented.</p> <p>One high priority recommendation outstanding – this is being monitored by senior management through quarterly reports to the council’s Management Team.</p>
Council Tax Recovery	<p>Opinion: Amber</p> <p>Three recommendations agreed: three high priority.</p> <p>Recommendations related to improving arrangements for writing off small balances, ensuring audit trails are maintained and increasing reviews of historical debt.</p>	<p>Three recommendations due, three implemented.</p>
Council Tax Discounts, Disregards & Exemptions	<p>Opinion: Amber</p> <p>Five recommendations agreed: three high priority, one medium, one low.</p> <p>Recommendations were made to ensure that applications are completed and evidence checked in respect of all discounts, disregards and exemptions and that reviews are undertaken in a timely manner. Recommendations were also made to ensure that procedure notes are up to date and audit trails are maintained.</p>	<p>Five recommendations due, four implemented.</p> <p>One low priority recommendation outstanding – this is being monitored by senior management through quarterly reports to the council’s Management Team.</p>
Bulky & Green Waste Collections	<p>Opinion: Green</p> <p>One recommendation agreed: one high priority.</p> <p>The recommendation related to reviewing the payment methods available to bulky and green waste customers and improving controls surrounding cash payments.</p>	<p>One recommendation due, one implemented.</p>
Staff Sickness Recording & Monitoring	<p>Opinion: Amber</p> <p>Three recommendations agreed: one high priority, two medium.</p> <p>Recommendations we made to review the council’s Managing Sickness Absence Policy, and enhance arrangements for monitoring sickness absence data.</p>	<p>Three recommendations due, three implemented.</p>
Taxi Licensing – Administration & Enforcement	<p>Opinion: Amber</p> <p>Six recommendations agreed: three high priority, three medium.</p> <p>Recommendations were made to ensure that</p>	<p>Six recommendation due, six implemented.</p>

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
	<p>details of all license applications are recorded and published on the public register, to ensure that supporting documentation is obtained and appropriately stored for all applications and to ensure that reconciliations are undertaken to verify that all application fees have been received.</p>	
Treasury Management - Compliance	<p>Opinion: Green</p> <p>Three recommendations agreed: one medium priority, two low.</p> <p>Recommendations related to the updating of procedure notes, a review of the counter signatory function in treasury investment transactions and the updating of procedural guidance for reconciling investment transaction codes.</p>	Three recommendations due, three implemented.
Business Planning and Risk Management	<p>Opinion: Amber</p> <p>Three recommendations agreed: three medium priority.</p> <p>Recommendations related to refresher training in risk management and a monitoring process to ensure all services produce business plans and risk registers aligned to the corporate objectives.</p> <p>One medium priority recommendation rejected relating to formally aligning the budget setting and business plan/risk processes.</p>	Three recommendations due, three implemented.
Budget Monitoring	<p>Opinion: Green</p> <p>Three recommendations agreed: three low priority.</p> <p>Recommendations related to budget holders being reminded of constitutional responsibilities, records for monitoring of quarterly budget reviews and a training programme for budget holders.</p>	Three recommendations due, three implemented.
Sheltered Housing	<p>Opinion: Amber</p> <p>Seven recommendations agreed: two high priority, two medium, three low.</p> <p>Recommendations related to updates on procedures for Needs & Risk assessments, their timely review and retention of records</p>	Seven recommendations due, seven implemented.
Private Housing Enforcement	<p>Opinion: Amber</p> <p>Three recommendations agreed: one high priority, two medium.</p> <p>Recommendations related to appropriate records being maintained for PI15, the updating of the private housing enforcement policy and gaining understanding of whether Category two and non-</p>	<p>Three recommendations due, two implemented.</p> <p>One medium priority recommendation outstanding – this is being monitored by senior management through the quarterly follow up reports to the council's</p>

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
	urgent service requests are being handled in a timely manner.	Management Team.
Homelessness	<p>Opinion: Green</p> <p>Three recommendations agreed: Two medium priority, one low.</p> <p>Recommendations related to ensuring that the council's homelessness strategy is up to date, ensuring that temporary accommodation placements are appropriately authorised, and setting a budget to monitor bed & breakfast expenditure</p>	<p>Three recommendations due, two implemented.</p> <p>One medium priority recommendation outstanding – this is being monitored by senior management through the quarterly follow up reports to the council's Management Team.</p>
Strategic Asset Management	<p>Opinion: Amber</p> <p>Six recommendations agreed: three high priority, three medium.</p> <p>Recommendations related to the updating and approval of existing policies and the council's Constitution, arrangements for ensuring that records held by Finance and property Services align, ensuring that the council is making best use of the system currently used for maintaining its asset register, and the updating and approval of an existing policy.</p>	<p>Five recommendations due, two implemented.</p> <p>One high and two medium priority recommendation outstanding – these are being monitored by senior management through the quarterly follow up reports to the council's Management Team.</p>
Capital Planned Works Management	<p>Opinion: Green</p> <p>One recommendation agreed: one low priority.</p> <p>The recommendation related to more effective use of the council website and social media.</p>	No recommendations due before 31 March 2018.
Standards of Conduct	<p>Opinion: Amber</p> <p>Six recommendations agreed: four medium priority, two low.</p> <p>Recommendations related to; approvals for removal from Netconsent distribution lists, processes for declarations linked to gifts, hospitality and personal interests, updates to the employee code of conduct, and a central register of all declared personal interests.</p>	Six recommendations due, six implemented.
NNDR Reliefs	<p>Opinion: Amber</p> <p>Six recommendations agreed: three high priority, one medium, two low.</p> <p>Recommendations related to information available on the councils website, discretionary rate relief criteria, use of application forms & declaration statements, and processes for determining charitable status and rate reliefs.</p>	<p>Six recommendations due, three implemented.</p> <p>Three high priority recommendation outstanding – these are being monitored by senior management through the quarterly follow up reports to the council's Management Team.</p>

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
Business Continuity (IT)	<p>Opinion: Red</p> <p>Four recommendations agreed: two high priority, two medium.</p> <p>Recommendations related to regular reviews of the IT continuity plan and overarching business continuity plan, training for staff involved with implementing the plan and testing of backup servers and generators.</p>	<p>Four recommendations due, three implemented.</p> <p>One high priority recommendation outstanding – this is being monitored by senior management through the quarterly follow up reports to the council’s Management Team.</p>
Prevention of Procurement Fraud	<p>Opinion: Amber</p> <p>Four recommendations agreed: one high priority, three medium.</p> <p>Recommendations related to updating the Procurement Strategy, reviewing and formalising arrangements to secure procurement advice, strengthening controls to ensure all procurement activity specifically excludes suppliers convicted of fraud, bribery or corruption and ensuring transparency data is published in full on a timely basis.</p>	<p>Four recommendations due, three implemented.</p> <p>One medium priority recommendation outstanding – this is being monitored by senior management through the quarterly follow up reports to the council’s Management Team.</p>
Prevention of Creditors Fraud	<p>Opinion: Amber</p> <p>Five recommendations agreed: two high priority, two medium, one low.</p> <p>Recommendations related to improving arrangements to verify the legitimacy of new and existing supplier accounts, enhancements to arrangements for approving invoices and maintaining an authorised signatory list and the introduction of arrangements to manage potential conflicts of interest.</p>	<p>Five recommendations due, five implemented.</p>
Transformation – change & project management	<p>Opinion: Amber</p> <p>Six recommendations agreed: three high priority, two medium, one low.</p> <p>Recommendations related to the introduction of a change project initiation document, appointment of Project Managers / Groups at the point of project approval, the establishing of performance indicators to monitor the success of change projects, the timely communication of projects that affect large numbers of employees, corporate monitoring of the programme of change projects as a whole and the introduction of training / guidance for change project managers.</p>	<p>Six recommendations due, six implemented.</p>
Right to Buy	<p>Opinion: Amber</p> <p>Eight recommendations agreed: five high priority and three medium.</p>	<p>Eight recommendations due, five implemented.</p> <p>Three high priority recommendations</p>

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
	<p>Recommendations related to the introduction of secondary application forms, money laundering questionnaires, updates to the housing business plan, ID verification for all applicants, un-notified visits to all applicants, written procedures covering the verification process, the introduction of an enforcement policy and publicity of any positive actions taken in respect of right to buy fraud.</p> <p>One recommendation rejected, relating to the introduction of an enforcement policy. This is to be incorporated into verification procedures instead.</p>	<p>outstanding – these are being monitored by senior management through the quarterly follow up reports to the council’s Management Team.</p>
Payroll	<p>Opinion: Amber</p> <p>Four recommendations agreed: one high priority and three medium.</p> <p>Recommendations related to signing of the Payroll contract, General Ledger reconciliation and receipt of reports from Medway Council to provide assurance on the service received.</p>	<p>Four recommendations due, three implemented.</p> <p>One high priority recommendation outstanding – this is being monitored by senior management through the quarterly follow up reports to the council’s Management Team.</p>
Housing Rents	<p>Opinion: Amber</p> <p>Four recommendations agreed: two high priority and two medium.</p> <p>Recommendations related to discussions on the use of Enforcement Officers to recover former tenant arrears; further measures to ensure that Direct Debits are collected in a timely manner; updating the procedure documents supporting the recovery of current and former tenant arrears; and, making details of the rent balance tracker available on the back of all rent arrears letters.</p>	<p>Three recommendations due, three implemented.</p>
GDPR	<p>Opinion: Amber</p> <p>One high priority recommendation agreed.</p> <p>The recommendation related to ensuring that a project plan is put in place and regularly monitored to ensure that requirements of the GDPR are met prior to May 2018.</p>	<p>One recommendation due, one implemented.</p>
Use of Council Vehicles	<p>Opinion: Amber</p> <p>Seven recommendations agreed: one high priority, one medium and five low.</p> <p>Recommendations related to a policy with a definition of acceptable use, monitoring of fuel, use of council vehicles by officers from shared services, monitoring of tracker data on fleet vehicles, recording of mileage incurred using lease pool vehicles and the cost effectiveness of lease pool vehicles.</p>	<p>One recommendation due, none implemented.</p> <p>One high priority recommendation outstanding – this is being monitored by senior management through the quarterly follow up reports to the council’s Management Team.</p>

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
Council Tax	<p>Opinion: Green</p> <p>Two recommendations agreed: one high priority and one low.</p> <p>Recommendations relate to ensuring that appropriate safeguards are in place to prevent duplicate refunds being paid and ensuring that staff are aware of the checks that need to be undertaken when creating liable parties within the council system.</p>	Two recommendations due, two implemented.
Corporate Governance	<p>Opinion: Amber</p> <p>Two recommendations agreed: one high priority and one medium.</p> <p>Recommendations relate to completion of a planned review of the Constitution and ensuring up to date counter fraud policies are provided on the council's website.</p> <p>One high priority recommendation rejected relating to formalising arrangements to monitor completion of improvements identified via the AGS.</p>	One recommendation due, one implemented.
Risk Management Framework	<p>Opinion: Amber</p> <p>Three recommendations agreed: two medium priority and one low.</p> <p>Recommendations relate to ensuring that service risk registers are fully completed, ensuring roles and responsibilities are clear and ensuring an appropriate link between corporate and service level risk management processes.</p> <p>One medium priority recommendation rejected relating to staff guidance on the risk register template.</p>	<p>Two recommendations due, one implemented.</p> <p>One medium priority recommendation outstanding – this is being monitored by senior management through the quarterly follow up reports to the council's Management Team.</p>
IT Security – User Access Controls	<p>Opinion: Amber</p> <p>Four recommendations agreed: one high priority and three medium.</p> <p>Recommendations relate to completion of work required for the PSN connection, the updating and circulation of IT related policies, and ensuring that password re-set options are activated.</p>	Two recommendations due, two implemented.
Digital Transformation	<p>Opinion: Green.</p> <p>One medium priority recommendation agreed.</p> <p>Recommendation relates to implementing a process for conducting post-implementation reviews for all digital transformation projects.</p>	No recommendations due before 31 March 2018.
Legal & Contractual Advice	Opinion: Amber	No recommendations due before 31 March 2018.

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
	One medium priority recommendation agreed. Recommendation relates to creating a suite of KPIs; that include all necessary information, and a reporting schedule being agreed by senior management.	
NNDR	Opinion: Green . One medium priority recommendation agreed. Recommendation relates to consideration of data matching between council systems, data sharing between departments and ensuring compliance with the GDPR.	No recommendations due before 31 March 2018.
Member Development	Opinion: Green . One low priority recommendation agreed. Recommendation relates to Party Leaders being provided with attendance information on a quarterly basis.	No recommendations due before 31 March 2018.

Update on 2018-19 Audit & Counter Fraud Planned Work

Ref	Activity	Day budget	Days Used	Current status	Opinion, summary of findings & recommendations made
2	Performance Management Indicator Verification	5	N/A	Fieldwork Underway	A&CF Officers will work with the Corporate Performance team to verify the 2017-18 corporate performance information to be reported.
5	Ethics	15	N/A	Terms of Reference being prepared for agreement with client	
8	NNDR Recovery	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objectives: RMO1 - Appropriate arrangements are in place for the collection of unpaid business rates.
15	Procurement Compliance	10	N/A	Terms of Reference being prepared for agreement with client	
25	Rent Deposit Scheme	10	N/A	Fieldwork underway	The review will consider the following Risk Management Objectives: RMO1 - Arrangements exist to distribute rent deposits. RMO2 - Arrangements exist to recover all rent deposits.
28	Counter Fraud Review – Residents Parking Permits	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: RMO1 – Adequate procedures are in place to prevent residential parking permit fraud.

Definitions of audit opinions

<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>

Recommendation Priorities

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