

# Audit & Counter Fraud Update

Gravesham Borough Council

For the period:

1 April 2018 – 31 July 2018

# 1. Introduction

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

# 2. Independence

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

# 3. Resources

- 3.1. The Audit & Counter Fraud Shared Service Team reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. The team has an establishment of 14 officers (13.5FTE) consisting of; the Head of Internal Audit & Counter Fraud, three Audit & Counter Fraud Team Leaders, eight Audit & Counter Fraud Officers (one post currently vacant), one audit & Counter Fraud Intelligence Analyst and one Audit & Counter Fraud Assistant, following a restructure in early 2018.
- 3.2. The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 36% for Gravesham with the remaining 64% for Medway. At the time the Audit & Counter Fraud Plans for 2018-19 were prepared, this establishment was forecasted to provide a total of 1,834 days available for audit and counter fraud work (net of allowances for leave, training, management, administration etc.) The Audit & Counter Fraud Plan for Gravesham was prepared with a resource budget of 660 days.
- 3.3. Net staff days available for Gravesham for the period 1 April 2018 to 31 July 2018 amounted to 174 days and 152 days (87%) were spent on productive audit and counter fraud work. Of this productive time, 54% was spent on audit assurance and consultancy work, while 46% was spent on counter fraud and investigations work. The current status and results of all work carried out are detailed at section 4 of this report.

- 3.4. Staff sickness and an unexpected vacancy has impacted on the level of resources available and one Audit & Counter Fraud Officer will be taking flexible retirement from 01 September 2018. This has resulted in a net loss of approximately 67 days from the original resource budget of 660 days for Gravesham. Plans to address the issue are detailed in section six of this report.
- 3.5. Recruitment for the vacant Audit & Counter Fraud Officer post will take place during August with an anticipated start date in October 2018 dependent on references and notice periods.

## 4. Results of planned Audit & Counter Fraud work

- 4.1. The Audit & Counter Fraud Plan 2018-19 for Gravesham was approved by the Finance & Audit Committee in March 2018. The Plan is intended to provide a clear picture of how the council will use the Audit & Counter Fraud Shared Service, reflecting all work to be carried out by the team for 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.
- 4.2. The tables below provide details of the work from 2017-18 that has been finalised in 2018-19, the progress of work undertaken as part of the 2018-19 annual plan and the results of investigative work completed during the period.

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

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
8	Creditors	10	13.8	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1 - Key controls are in place for the effective management of the creditors system.</b></p> <p>Appropriate controls are in place to ensure that all creditors have a unique reference number that the correct payment is made and that adequate evidence is held to support these payments.</p> <p>A weakness was identified in relation to the raising of purchase orders within services, with 26 of the 96 invoices included in the sample testing found not to have a relevant purchase order. The automated invoicing system that is due to be introduced is reliant on purchase orders being in place, so any continued failure to raise purchase orders would result in the need for manual intervention , which in turn may impact on predicted resource savings.</p> <p>Audit testing undertaken in relation to the 96 invoices confirmed that all had been authorised for payment by officers with an appropriate authorisation limit.</p> <p>It is acknowledged that the introduction of the Automated Invoicing system will lead to an inbuilt authorisation process that occurs at the time the purchase order is raised, thereby removing the need for an authorised signatory list as invoices will no longer be authorised in hard copy. <b>Opinion: Amber</b></p> <p><b>RMO2 – Key controls are in place for the effective management of petty cash.</b></p> <p>Petty cash floats are maintained within individual Directorates and recorded on the Imprest system with the officer responsible for the float retaining any vouchers and associated receipts. When requests are passed to Exchequer services for floats to be replenished, officers pass on details of the expenditure along with the associated receipts but do not routinely include details of the remaining balance they hold, which presents a risk that the floats may exceed their limit.</p> <p>Petty cash is routinely limited to a maximum payment of £25 and the authorised signatory list details which officers are permitted to authorise petty cash payments. It is acknowledged that some Directors have a higher petty cash authorisation level.</p> <p>While there are adequate procedures in place, testing has identified that these procedures are not always being followed in relation to petty cash claims and the issues identified, such as Managers authorising their own petty cash claims and those of close relatives, and officers signing claims that did not have authority to do so or</p>

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					<p>exceeded their authorisation limit, also demonstrate a control weakness that exposes the council to a risk of fraud.</p> <p>The removal of petty cash floats and a switch to processing expense claims through the HR SelfServe4You system may provide better value for money to the authority in the form of efficiency savings and would also provide a means of electronic verification. This reduces the potential for fraud as claims could only be authorised by managers who have been set as having delegated authority within the system and could be processed alongside other expenses such as claims for business mileage. Any recommendations into existing processes would still be relevant until any such change in process was agreed by Management Team. <b>Opinion: Red</b></p> <p><b>Overall Opinion: Amber. Recommendations: Three high, two medium and one low priority.</b></p> <p><b>Recommendations relate to appropriate staff being reminded of the need to raise purchase orders in relation to all purchases, Managers being reminded that invoices for goods and services should not be paid via petty cash, that petty cash claims should not be authorised by Managers who do not have appropriate authorisation or are above their limit, Managers not authorising their own or close relatives petty cash claims, float holders being reminded to include remaining balances on the information provided to Exchequer Services and Management Team considering the removal of petty cash and switching the processing of expenses through the HR SelfServe4You system.</b></p>
15	Borough Market – Income	10	13.9	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p><b>RMO1 - Arrangements for the collection and banking of market income are in place.</b></p> <p>The review found that within the Gravesend borough Market there are 22 permanent units, in addition to space for a number of temporary stalls. The standard rents for both permanent and temporary pitches have been set and are provided on the market website, though it was noted that these have yet to be reviewed.</p> <p>Arrangements exist for deposits to be collected from all permanent stallholders and audit testing confirmed that these arrangements are working well in practice, though several instances were identified in which deposit invoices had incorrectly been raised inclusive of VAT. Procedures are also in place for monthly debtor invoices to be automatically raised to collect rent from permanent stallholders. While recovery action is taken in respect of unpaid invoices; audit testing identified inconsistencies in</p>

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					<p>relation to the number of outstanding invoices, or the level of debt before further recovery steps were taken.</p> <p>Temporary stallholders pay via cash on the day of attendance. This is collected by the Market Operative and is deposited in a safe with restricted access; appropriate insurance cover is in place for the level of cash collected. Arrangements are in place for cash to be banked in an appropriate manner and recorded on the General Ledger; however improvements are needed in relation to record keeping. <b>Opinion: Amber.</b></p> <p><b>Overall Opinion: Amber. Recommendations: Five medium priority.</b></p> <p><b>Recommendations relate to enhancing procedures for the agreement and review of pitch fees, applying the correct VAT treatment for deposit invoices, ensuring consistent recovery procedures are followed, and ensuring that comprehensive records are retained of all cash payments received.</b></p>
22	Business Continuity	10	7.3	Final Report Issued	<p>The review was due to consider the following Risk Management Objective:</p> <p><b>RMO1 - Arrangements are in place to ensure each service has a updated and relevant Business Continuity Plan in place.</b></p> <p><b>However, due to the significant changes taking place, consultancy work was conducted and concluded the following:</b></p> <p>The council is reviewing its Corporate and service level Business Continuity Plan arrangements, to ensure it is able to meet its statutory responsibilities and ensure that staff can put the plans into practice. Effective Business Continuity Planning will enable the council to act quickly and decisively at the outset of the incident and manage risks to any loss of service. While the Corporate BCP requires updating and testing, evidence is available to show services update their BCP's on an annual basis. To demonstrate BCP's are effective more evidence is required to show the plans are tested and will achieve their objectives.</p> <p>Moves are currently afoot to remedy this with Senior Management taking steps to improve business continuity planning across the organisation. With managers already familiar with completion of service risk registers, the intention is to take this process a step further to align the BCP alongside the Risk Registers and Business Plans. Once fully tested the Service BCPs can be used as the basis for a Corporate BCP, pulling all the threads together and forming a complete package with the Emergency Planning and Business Recovery documents.</p> <p>This will enable Gravesham to face any major incident confidently and with clearly</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<p>defined role responsibilities for senior management, a clear process to cascade information both internally and externally and with staff able to understand their, potentially revised, roles until business recovery is completed and a full and usual service resumed.</p> <p><b>Recommendations: One high, two medium and one low priority.</b></p> <p><b>Recommendations relate to a redesign of the BCP template, a programme of learning for managers &amp; staff, an audit trail being incorporated into the BCP and key essential services being identified.</b></p>
26	Housing Revenue Account Building Management – Compliancy	10	18	Final Report Issued	<p>The review considered the following Risk Management Objective:</p> <p><b>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.</b></p> <p>The review found that responsibility for ensuring safety checks are carried out has been appropriately allocated and the team is fully aware of the checks that need to be undertaken. Contracts exist for all types of safety check, which contain some KPIs, however data is not currently collected for Electrical Testing although arrangements are now in place to commence the collection of this data.</p> <p>Appropriate servicing programmes are in place, with safety checks carried out at various intervals. Servicing data has now been uploaded on to the servicing module of the management system, Oneserve to automate the servicing programmes from 1 April 2018.</p> <p>Monitoring data available at the time of audit found that 100 per cent compliancy is achieved for the majority of programmes, however statistics indicated a shortfall in compliancy for the domestic through floor lifts bi-annual programme and the annual programme for stair lifts, which we were advised is due to access issues.</p> <p>Certifications and documentation is held on the Keystone asset management database, testing identified omissions in relation certificates being held on the system and opportunities to utilise automated reports were noted</p> <p>Budget monitoring has previously relied upon an internal spreadsheet which indicated some discrepancies to the figures on Civica, however budget holders now have responsibility for their own budgets and have received training. They have also been made aware that for reporting purposes, Finance will only consider what has gone through the general ledger on Civica.</p> <p>There are 437 leasehold properties, which we were advised could present a potential</p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					<p>risk should the council be unable to demonstrate that it has taken action to ensure that leaseholders carry out the relevant safety checks on their properties. <b>Opinion: Amber.</b></p> <p><b>Overall Opinion: Amber. Recommendations: Two high, two medium and three low priority.</b></p> <p><b>Recommendations relate to enhancement of processes for tackling access issues which prevent checks from being carried out, ensuring the electrical contract contains KPIs which are regularly monitored, investigating methods of ensuring safety compliance in leasehold properties, reviewing processes for budget monitoring, ensuring certificates are stored appropriately and streamlining processes for monitoring failed checks.</b></p>
28	Void Property Management & Re-let	15	11.7	Final Report Issued	<p>The review considered the following Risk Management Objective:  <b>RMO1 – Appropriate arrangements exist for void property management and re-let.</b></p> <p>There are numerous teams and systems in place dealing with different elements of the re-let process and it was noted that no policy or procedure notes exist. It has been identified that there is not a consistent approach to various elements of the process; which in turn means that inconsistent information is being recorded on each system, if recorded at all.</p> <p>A shared spreadsheet logging void properties exists but is not being regularly updated by every team to identify where a void property sits within the process, meaning it cannot be utilised as a live document.</p> <p>The council's lettable standard is under review and expected to be in place by August 2018.</p> <p>While the authority has significantly improved the turnaround time in recent months, some elements of the process are duplicated or out of date. A review of the end to end process to a streamlined process that reduces financial costs through efficiency savings.</p> <p>Performance statistics are maintained by both the voids team and housing allocations although these focus on different areas of performance, they do provide an end to end performance picture.</p> <p>Not all Housing Officers record viewing arrangements for void properties or the outcomes of those viewings. It has been indicated that this may be a consequence of officers not knowing how the system works, suggesting that there may be a training issue. <b>Opinion: Amber.</b></p>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					Overall Opinion: <b>Amber</b> . Recommendations: <b>Two high</b> and <b>three medium</b> priority. Recommendations relate to the introduction of a Voids Policy which includes procedure notes, amending the tenancy handbook to include basic repairs that tenants are expected to complete, ensuring all recording methods are updated regularly to ensure records of every element of the process are correct, a review of the re-let process and refresher training for officers on use of the Locata system.

## 2018-19 Internal Audit Assurance work

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
<b>Core governance and financial systems assurance work</b>					
1	Finalisation of 2017-18 planned work	25	24.9	Complete	Allowance to finalise work from the 2017-18 plan not completed as at 31 March 2018.
2	Performance Management	5	1	Complete	A&CF Officers have worked with the Corporate Performance team to verify the 2017-18 corporate performance information reported.
3	Corporate & Business Planning	10	N/A	Not yet started	N/A
4	Performance Management Framework	10	N/A	Terms of Reference being prepared	N/A
5	Ethics	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objective: <b>RMO1 - All council employees behave with integrity, demonstrate strong commitment to ethical values and respect the rule of the law.</b>
6	General ledger	10	N/A	Not yet started	N/A
7	Bad Debt Provision	15	N/A	Not yet started	N/A
8	NNDR Recovery	15	N/A	Draft report with client for	The review considered the following Risk Management Objective: <b>RMO1 - Appropriate arrangements are in place for the collection of unpaid business</b>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
				consideration	<b>rates.</b>
9	VAT	10	N/A	Fieldwork Underway	The review will consider the following Risk Management Objective: <b>RMO1 - Adequate procedures are in place for identifying, processing and accounting for VAT.</b>
10	Financial statements preparation	15	N/A	Terms of Reference being prepared	N/A
11	Grant payments	10	N/A	Not yet started	N/A
12	Responsive assurance work	8	N/A	Not yet started	No requests for responsive assurance work have been received during this period.
<b>Corporate risks assurance work</b>					
13	IT Strategy & implementation	10	N/A	Terms of Reference being prepared	N/A
14	Use of Bailiffs	10	N/A	Not yet started	N/A
15	Procurement compliance	10	N/A	Fieldwork Underway	The review will consider the following Risk Management Objective: <b>RMO1 - Appropriate procedures relating to contracts procured via South East Consortium are in place.</b>
16	Refunds	10	N/A	Not yet started	N/A
17	Write Offs	15	N/A	Not yet started	N/A
18	Counter Fraud	5	N/A	Not yet started	N/A
19	General Data	15	N/A	Not yet	N/A

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
	Protection Regulation			started	
20	Homelessness	15	N/A	Not yet started	N/A
21	Establishment Management	15	N/A	Fieldwork Underway	The review will consider the following Risk Management Objectives: <b>RMO1 - The council's establishment is appropriately managed.</b> <b>RMO2 - The council's salaries budget is appropriately managed.</b>
22	Staff Performance Management Framework	10	N/A	Not yet started	N/A
23	Manual Handling	10	N/A	Not yet started	N/A
24	Tenancy Enforcement	15	N/A	Not yet started	N/A
25	Rent Deposit Scheme	10	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objectives: <b>RMO1 – Arrangements exist to distribute rent deposits</b> <b>RMO2 – Arrangements exist to recover all rent deposits</b>
26	Repairs & Maintenance Supplies Management	15	N/A	Not yet started	N/A
<b>Counter Fraud Assurance Work</b>					
27	Housing Allocations	15	N/A	Not yet started	N/A
28	Residents Parking Permits	15	N/A	Fieldwork completed, in quality control	The review considered the following Risk Management Objective: <b>RMO1 – Adequate procedures are in place to prevent residential parking permit fraud.</b>

## Counter Fraud Activity

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
30	Pro-active investigations work	29	N/A	Underway	<p>A pro-active drive reviewing all council tax accounts with full student exemptions was commenced in March 2018. The exercise involved scrutiny of all student certificates supplied in order to confirm that they were genuine. Approx. 90 accounts were reviewed with nine identified as having potential discrepancies, which were passed for further investigation.</p> <p>Investigations linked to the exercise that have been concluded have led to additional council tax of £6,381.40* being owed and an additional £3,517.57* in future years where the exemptions will no longer apply. Two investigations remain ongoing.</p> <p>*please note that these figures relate to the exercise itself, which crosses financial years, and are not in addition to the sums reported as part of performance indicator A&amp;CF20.</p>
31	Data matching exercises, including National Fraud Initiative and Kent Intelligence Network	29	N/A	Underway	<p>No further matching has been undertaken by the KIN at this time, however, data matching for small business rate relief has taken place with a company called Destin Solutions. The matches received are being reviewed and investigations will be undertaken where appropriate.</p> <p>Software recently purchased for corporate view of debt can potentially be utilised for internal data matching and this will be explored further in the coming months.</p> <p>Submissions for the 2018-19 National Fraud Initiative exercise are scheduled to take place in October, with results likely to be received in January 2019.</p>
32	Fraud awareness	10	N/A	Not yet started	No fraud awareness training undertaken during the period.

## Reactive Investigations work: external investigations

Area	Number of cases concluded	Summary of results
Council Tax	23	Cases linked to fraudulent discounts and exemptions have identified additional Council Tax liabilities with a total value of £3,247.98 (of which Gravesham Borough Council's share is £389.76). They have also identified additional liability of £2,397.82 for future years. One civil penalty of £70 has also been applied as a result.
Housing Allocations	2	While two cases linked to housing allocations have been closed, neither identified any evidence of fraud.
Tenancy	5	Cases linked to tenancy fraud, primarily involving abandonment or sub-letting have led to the recovery of

Area	Number of cases concluded	Summary of results
		one property with a notional saving of £18,000 attached.

### Reactive Investigations work: internal investigations

Allegation	Investigation activity & recommendations
No investigations undertaken in this period.	

### Other consultancy services including advice & information

Client service area	Services provided
Town Centre Redevelopment Proposal - Financial Analysis	A thorough examination was undertaken of the accuracy of formulae within a spreadsheet prepared by Gravesham Borough Council to assess the financial viability of the proposal.
Corporate Debt Project	One of the Audit & Counter Fraud Team Leaders is part of a project group overseeing implementation of a system to provide a corporate view of debt.
Automated Invoicing	Two of the Audit & Counter Fraud Officers are part of the project group overseeing implementation of the Creditors automated invoicing system.
Interreg France (Channel) England Go Trade Project	One of the Audit & Counter Fraud Team Leader has been appointed and is undertaking the role of First Level Controller for Gravesham Borough Council's part in this project.

## 5. Quality Assurance & Improvement Programme

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

Ref	Indicator	Target	Outturn for report period
<b>Non LA Specific Performance Measurements</b>			
A&CF1	Cost of the Audit & Counter Fraud Service a) Total Cost b) LA Share	N/A	£560,257 £201,693
A&CF2	Cost per A&CF day	£400	£305
A&CF3	Proportion of staff with relevant professional qualification: a) Relevant audit qualification b) Relevant counter fraud qualification	75%	21% 57%
A&CF4	Proportion of non-qualified staff undertaking professional qualification training	25%	0%
A&CF5	Time spent on CPD/non-professional qualification training, learning & development	70 days	11 days
A&CF6	Compliance with PSIAS	100%	The External Quality Assessment (EQA) conducted in February 2018 was positive with performance in line with or above that of other local authorities as per benchmarking; however, it did not provide a percentage of compliance. Our December 2017 self- assessment showed full compliance with 94% of the standards, partial compliance with a further 3% and work required to address the remaining 3%. An action plan has been formed to deal with the recommendations from

Ref	Indicator	Target	Outturn for report period
			the external assessment and a refresh of the self-assessment will take place later in the year to confirm the percentage compliance.
A&CF7	Staff turnover	N/A	While there have been no resignations, an internal candidate was successful in the recruitment for a new Audit & Counter Fraud Team Leader. As a consequence, we are in the process of recruiting a replacement Audit & Counter Fraud Officer to fill the last remaining vacancy.
LA Specific Performance Measurements			
A&CF8	Average cost per assurance review	£5,000	£3,727
A&CF9	Proportion of available resources spent on productive work	90%	87%
A&CF10	Proportion of productive time spent on: a) assurance work b) consultancy work	65%	50% 4%
A&CF11	Proportion of productive time spent on: a) proactive counter fraud work b) reactive counter fraud work	35%	5% 41%
A&CF12	Proportion of agreed assurance assignments: a) Delivered b) Underway	95%	12% 16%
A&CF13	Proportion of assignments completed within allocated day budget	90%	N/A no 2018-19 audits finalised
A&CF14	Proportion of completed reviews subject to a second stage (senior management) quality control check in addition to the primary quality control review	10%	N/A no 2018-19 audits finalised
A&CF15	Proportion of recommended actions agreed by client management	90%	100%
A&CF16	Number of recommendations agreed that are: a) not yet due b) Implemented c) Outstanding	N/A	23 30 20
A&CF17	Proportion of recommended actions implemented by agreed date	N/A	60%
A&CF18	Number of referrals received	N/A	20
A&CF19	Number of investigations closed	N/A	30
A&CF20	Value of fraud losses identified, by fraud type a) cashable (losses that can be recovered)	N/A	Total: £5,715.80

Ref	Indicator	Target	Outturn for report period
	b) non-cashable (notional savings based on national estimates)		£3,247.98 Council Tax (proportion retained by Gravesham: £132.22) £2,397.82 additional Council Tax for future years (proportion retained by Gravesham: £115.68) £70 – one civil penalty imposed  £18,000 – one council property recovered
A&CF21	Customer satisfaction with individual review/assignment	95%	100% (based on three reviews received in period)
A&CF22	Customer satisfaction with overall service	95%	Survey has not yet been issued.
A&CF23	Member satisfaction with assurance provided (based on Chair of Audit Committee contribution to Appraisal of the Head of Audit & Counter Fraud role)	Positive	N/A – The mid-year review for the Head of Audit & Counter Fraud has not yet taken place.
A&CF24	Statement of external audit	Positive	External Audit report by exception. The Audit Plan for 2017-18 from Grant Thornton raises no concerns in relation to the work of internal audit.

## 6. Review of Audit & Counter Fraud Plan

- 6.1 Monitoring of the delivery of planned work is built into the team's processes with individual officer time recording data feeding into an automated performance monitoring workbook; this tracks the performance of the team against the shared service work-plan as a whole and enables the supervisory staff to plan and support officers to deliver their individual work plans. On at least a quarterly basis, a projection of the resources that will be available to the year end is carried out and compared to forecasts for each item of work on the plan to be completed.
- 6.2 All audit reviews scheduled for Q1 have commenced and all bar one of those scheduled for Q2 has at least commenced the planning stage, so the plan is on track at this time.
- 6.3 As mentioned at paragraph 3.4, there has been a loss of resource created by sickness, a vacancy and the flexible retirement of one employee that was unknown at the time the original budget was calculated. This projects a loss of 67 days from the original projection of 660 days, which will mean that amendments to the plan are likely to be necessary. However, we are not proposing to reduce the number of audit reviews at this time. Some time savings are likely in the event that scheduled reviews do not use all of their planned days, the projections include allowances for staff sickness that may not occur and there may be some non-statutory elements of the service that can have their allocations reduced to compensate if necessary.
- 6.4 We must ensure that an adequate level of work can be completed in order to deliver the Council's annual assurance statement. The resource budget is being monitored continually to take account of any unpredicted changes that impact on resource. In the event that the impact does require changes to the

number of assurance reviews, these proposed changes will be brought to the committee for approval but we do not want to take this approach unless absolutely necessary.

## 7. Follow up of agreed recommendations

- 7.1 Where the work of the team finds opportunities to strengthen the council's risk management, governance and/or control arrangements, the team make and agree recommendations for improvement with service managers. The Standards require that a follow-up process is established: *to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action*. As with all audit work, resources should be prioritised based on risk.
- 7.2 It was agreed that service managers will be asked to provide an update on action taken towards implementing all recommendations agreed, but they will also be asked to supply evidence to confirm the action stated and the Audit & Counter Fraud Team will verify this. In addition, recommendations made as part of proactive and reactive counter fraud work will be incorporated into the follow up process to ensure action is taken to address fraud risks identified. The results of follow up are reported to the council's Management Team on a quarterly basis.
- 7.3 The first of the two tables below details the current position in relation to the follow up process and the second details recommendations that are now more than six months over their planned implementation date; along with an update from the relevant Service Manager/Assistant Director/Director.

## Status of Agreed Recommendations

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Proportion of recommendations due for implementation where a positive management response has been received
Planning Enforcement	<p>Opinion: <b>Amber</b></p> <p>Seven recommendations agreed: three high, three medium and one low priority.</p> <p>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.</p>	<p>Seven recommendations due, six implemented.</p> <p>One high priority recommendation outstanding relating to improving arrangements to monitor planning conditions.</p>
Section 106 Agreements & Other Planning Obligations	<p>Opinion: <b>Amber</b></p> <p>Five recommendations agreed: three high and two low priority.</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 relating to an appropriate mechanism being put in place for monitoring planning obligations.</p>
Council Tax Discounts, Disregards & Exemptions	<p>Opinion: <b>Amber</b></p> <p>Five recommendations agreed: three high, one medium and one low priority.</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, five implemented.</p>
Private Housing Enforcement	<p>Opinion: <b>Amber</b></p> <p>Three recommendations agreed: one high and two medium priority.</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-urgent service requests are being handled in a timely manner.</p>	<p>Three recommendations due, two implemented.</p> <p>One medium priority recommendation outstanding relating to the updating of the private housing enforcement policy.</p>

Homelessness	<p>Opinion: <b>Green</b></p> <p>Three recommendations agreed: Two medium and one low priority. 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 &amp; breakfast expenditure</p>	<p>Three recommendations due, two implemented. One medium priority recommendation outstanding relating to ensuring that the council's homelessness strategy is up to date.</p>
Strategic Asset Management	<p>Opinion: <b>Amber</b></p> <p>Six recommendations agreed: three high and three medium priority. 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, five implemented.</p>
Capital Planned Works Management	<p>Opinion: <b>Green</b></p> <p>One recommendation agreed: one low priority. The recommendation related to more effective use of the council website and social media.</p>	<p>One recommendation due, one outstanding. Recommendation relates to more effective use of the council website and social media</p>
NNDR Reliefs	<p>Opinion: <b>Amber</b></p> <p>Six recommendations agreed: three high, one medium and two low priority. Recommendations related to information available on the councils website, discretionary rate relief criteria, use of application forms &amp; declaration statements, and processes for determining charitable status and rate reliefs.</p>	<p>Six recommendations due, four implemented. Two high priority recommendations outstanding relating to processes for determining charitable status and rate reliefs and a process to review all rate relief.</p>
Business Continuity (IT)	<p>Opinion: <b>Red</b></p> <p>Four recommendations agreed: two high and two medium priority. 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. One high priority recommendation outstanding relating to regular reviews of the IT continuity plan and overarching business continuity plan.</p>

Prevention of Procurement Fraud	<p>Opinion: <b>Amber</b></p> <p>Four recommendations agreed: one high and three medium priority. 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>	Four recommendations due, four implemented.
Right to Buy	<p>Opinion: <b>Amber</b></p> <p>Eight recommendations agreed: five high and three medium priority. 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. One recommendation rejected, relating to the introduction of an enforcement policy. This is to be incorporated into verification procedures instead.</p>	Eight recommendations due, eight implemented.
Payroll	<p>Opinion: <b>Amber</b></p> <p>Four recommendations agreed: one high and three medium priority. 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>	Four recommendations due, four implemented.
Housing Rents	<p>Opinion: <b>Amber</b></p> <p>Four recommendations agreed: two high and two medium priority. 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>Four recommendations due, three implemented.</p> <p>One high priority recommendation outstanding relating to discussions on the use of Enforcement Officers to recover former tenant arrears</p>

Use of Council Vehicles	<p>Opinion: <b>Amber</b></p> <p>Seven recommendations agreed: one high, one medium and five low priority.</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>Seven recommendations due, two implemented.</p> <p>One medium and four low priority recommendations outstanding relating to 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>
Corporate Governance	<p>Opinion: <b>Amber</b></p> <p>Two recommendations agreed: one high and one medium priority.</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>	<p>One recommendation due, one implemented.</p>
Risk Management Framework	<p>Opinion: <b>Amber</b></p> <p>Three recommendations agreed: two medium and one low priority.</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, two implemented.</p>
IT Security – User Access Controls	<p>Opinion: <b>Amber</b></p> <p>Four recommendations agreed: one high 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 re-set options are activated.</p>	<p>Three recommendations due, three implemented.</p>
Digital Transformation	<p>Opinion: <b>Green</b>.</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>	<p>One recommendation due, one implemented.</p>

Legal & Contractual Advice	<p>Opinion: <b>Amber</b></p> <p>One medium priority recommendation agreed.</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>	No recommendations due before 31 July 2018.
NNDR	<p>Opinion: <b>Green.</b></p> <p>One medium priority recommendation agreed.</p> <p>Recommendation relates to consideration of data matching between council systems, data sharing between departments and ensuring compliance with the GDPR.</p>	No recommendations due before 31 July 2018.
Member Development	<p>Opinion: <b>Green.</b></p> <p>One low priority recommendation agreed.</p> <p>Recommendation relates to Party Leaders being provided with attendance information on a quarterly basis.</p>	One recommendation due, one implemented.
Creditors	<p>Opinion: <b>Amber.</b></p> <p>Six recommendations agreed; three high, two medium and one low priority.</p> <p>Recommendations relate to appropriate staff being reminded of the need to raise purchase orders in relation to all purchases, Managers being reminded that invoices for goods and services should not be paid via petty cash, that petty cash claims should not be authorised by Managers who do not have appropriate authorisation or are above their limit, Managers not authorising their own or close relatives petty cash claims, float holders being reminded to include remaining balances on the information provided to Exchequer Services and Management Team considering the removal of petty cash and switching the processing of expenses through the HR SelfServe4You system</p>	Five recommendations due, five implemented.

<p>Borough Market – Income</p>	<p>Opinion: <b>Amber</b>.  Five recommendations agreed; five medium priority.  Recommendations relate to enhancing procedures for the agreement and review of pitch fees, applying the correct VAT treatment for deposit invoices, ensuring consistent recovery procedures are followed, and ensuring that comprehensive records are retained of all cash payments received</p>	<p>Three recommendations due, three outstanding  Three medium priority recommendations outstanding relating to applying the correct VAT treatment for deposit invoices, ensuring consistent recovery procedures are followed, and ensuring that comprehensive records are retained of all cash payments received  *please note these recommendations were due for implementation 31 July 18 and no management response had been received by the report deadline</p>
<p>Business Continuity</p>	<p>No Opinion Delivered – Consultancy Review  Four recommendations agreed; one high, two medium and one low priority.  Recommendations relate to the re-designing of BCP templates, a programme of learning for managers, the incorporation of an audit trail in the BCP for reviews and testing and the identification of key essential services.</p>	<p>One recommendation due, None implemented.  One medium priority recommendation outstanding relating to the re-designing of BCP templates.  *please note this recommendation was due for implementation 31 July 18 and no management response had been received by the report deadline</p>
<p>Housing Revenue Account Building Management – Compliancy</p>	<p>Opinion: <b>Amber</b>.  Seven recommendations agreed; two high, two medium and three low priority.  Recommendations relate to enhancement of processes for tackling access issues which prevent checks from being carried out, ensuring the electrical contract contains KPIs which are regularly monitored, investigating methods of ensuring safety compliance in leasehold properties, reviewing processes for budget monitoring, ensuring certificates are stored appropriately and streamlining processes for monitoring failed checks</p>	<p>Two recommendations due, one implemented.  One high priority recommendation outstanding relating to investigating methods of ensuring safety compliance in leasehold properties.</p>

<p>Void Property Management &amp; Re-let</p>	<p>Opinion: Amber.  Five recommendations agreed; two high and three medium priority. Recommendations relate to the introduction of a Voids Policy which includes procedure notes, amending the tenancy handbook to include basic repairs that tenants are expected to complete, ensuring all recording methods are updated regularly to ensure records of every element of the process are correct, a review of the re-let process and refresher training for officers on use of the Locata system.</p>	<p>No recommendations due before 31 July 2018.</p>
<p>Building Security</p>	<p>Opinion: <b>Amber</b>.  Five recommendations agreed; 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>	<p>Four recommendations due, three implemented.  One high priority recommendation outstanding relating to disabling access and recovery of passes for users that no longer require access</p>
<p>Contact Centre Operations</p>	<p>Opinion: <b>Green</b>.  Four recommendations agreed; three medium and one low priority. 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>	<p>Two recommendations due, two implemented.</p>

## Recommendations still outstanding more than six months after scheduled implementation date

Directorate	Audit & Counter Fraud Review title	Recommendation	Priority	Planned Implementation Date	Management Update
Housing & Regeneration	Planning Enforcement	Arrangements should be put in place to monitor conditions made when determining planning applications	High	31-Jul-14	The Council is developing a list of standard conditions and informatives so that future monitoring can be streamlined. This was delayed due to workload constraints but has recently re-started. The Planning Manager (Development Management) and Assistant Director (Planning) are investigating the creation of a new post for planning condition monitoring which could also add resilience to the validation team. Officers are working towards a new deadline date of 31 December 2018.
Housing & Regeneration	Planning Obligations	An appropriate mechanism should be put in place for monitoring planning obligations.	High	30-Jun-16	Limitations of KCC's Single Monitoring System for developer contributions still remain - namely that the SMS is live for new apps but they are having problems with historic records. The Planning Manager (Development Management) and Assistant Director (Planning) are hopeful that a resource can be identified who can have monitoring planning obligations as one of their substantive tasks, without causing workload difficulties elsewhere in the team. Officers are working towards a new deadline date of 31 December 2018.
Housing & Regeneration	Homelessness	A revised Homeless strategy should be written, consistent with local plans and strategies.	Medium	31-Dec-17	Work is continuing on the development of the Strategy and supporting documents, and will be informed by the deliberations of the Cross Party Working Group established following a Council meeting regarding Homelessness. The work of which will need to be included in the Strategy review and evidence base. Revised implementation date 1 Dec 18.
Corporate Services / Environment & Operations	Business Continuity (IT)	<ul style="list-style-type: none"> <li>The Plan and the Business Continuity plan IT services documents should be reviewed to determine whether it is necessary to</li> </ul>	High	30-Sep-17	At the time of the audit the disaster recovery arrangements were being moved from an onsite arrangement at the Brookvale Depot to completely new hardware and software based at the Kent and Medway Regional Data Centre at Gun Wharf, Chatham. This

		<p>maintain both or just one plan. Once this decision has been made the relevant plan(s) should be updated to reflect the new processes.</p> <ul style="list-style-type: none"> <li>• There should be a review of the revised IT continuity plan at least annually to update procedures and every six months for changes in key contact details</li> <li>• Once IT have revised their continuity plan the information should be fed into the overarching business continuity plan.</li> <li>• The overarching business continuity plan, Appendix 9, detailing the prioritisation of service recovery should be reviewed immediately.</li> <li>• The business continuity plan for IT Services should include a testing schedule, monitored by the Business Continuity Planning Group or at least a member of management responsible for reviewing &amp; testing effectiveness of the business continuity plan.</li> </ul>			<p>necessitated a complete rewrite of the IT business continuity plan, processes and procedures. This work has been completed and a regular review has been incorporated into the plan to ensure the information is kept up to date.</p> <p>Business Continuity plans from service areas outside of IT are currently being completed by Service Managers using templates developed in partnership with Kent Fire &amp; Rescue Service, drawing upon their research and development experience in this area over the last year. The information provided by service managers will be fed into the IT business continuity plan in order to document recovery prioritisations and the recovery-testing schedule.</p>
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# Definitions of audit opinions & Recommendation Priorities

<p><b>Green</b> – 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><b>Amber</b> – 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><b>Red</b> – Risk management arrangements require improvement to ensure objectives can be met</p>	<p>The overall control process is weak with one or more expected key control(s) or compensating control(s) absent or there is evidence of significant non-compliance. Risk management is not considered to be effective and the service risks failing to meet its objectives, significant loss/error, fraud/impropriety or damage to reputation. Recommendations have been made to introduce new controls, improve compliance with existing controls or improve the efficiency of operations.</p>

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