

Audit & Counter Fraud Update

Gravesham Borough Council

For the period:

1 April – 31 July 2019

1. Introduction

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

2. Executive Summary

- 2.1 The first four months of 2019-20 have been productive with the following audit reviews finalised; **items in italics had full details of the review included in the 2018-19 annual report*

- *Manual Handling – Opinion: Amber (2018-19 review finalised in 2019-20)*
- *IT Strategy & Implementation - Amber (2018-19 review finalised in 2019-20)*
- *Counter Fraud – Opinion: Adequate (2018-19 review finalised in 2019-20)*
- *General data Protection Regulations – Opinion: Red (2018-19 review finalised in 2019-20)*
- *Homelessness – Opinion: Red (2018-19 review finalised in 2019-20)*
- Ethics – Opinion: Amber (2018-19 review finalised in 2019-20)
- Use of Enforcement Services - Opinion: Amber (2018-19 review finalised in 2019-20)
- Write Offs - Opinion: Amber (2018-19 review finalised in 2019-20)
- Partnership framework and shared working arrangements – Opinion: Green
- Out of Hours Services – Consultancy review so no opinion delivered

In addition, four reviews have had fieldwork completed and are now going through the quality control process, three reviews are currently underway and commencement of a number of others is being arranged with clients. As a consequence of this work, plan delivery as at 31 July was 18% complete, with a further 29% underway. Full details of the individual reviews can be found in section 5 of this report.

- 2.2 Follow up of agreed recommendations has continued and performance as of 31 July stood at 80%, with 16 of 20 recommendations due in the period having been implemented. Four remain outstanding and are being monitored in line with the agreed follow up process. Full details of the progress made in relation to recommendation follow up can be found at section 8.
- 2.3 Investigations concluded during the period have identified cashable savings of £15,668 in the form of additional council tax liabilities, both historic and future; non-cashable savings of £36,000 resulting from the recovery of two council properties; and a prevented loss of £82,800 linked to the cancellation of a right to buy application.
- 2.4 There has been some impact on planned resources due to sickness and a vacancy for an Intelligence Analyst following the previous post holder taking a position within the team as an Audit & Counter Fraud Officer, resulting in a loss of 49 days from the projected 703 available at the start of the year.
- 2.5 Targets for resources to be split as 65% in favour of audit assurance & consultancy and 35% in favour of pro-active and reactive counter fraud work are both on track and the team are also currently on target for 90% of available resource being spent on productive audit & counter fraud work.

3. Independence

- 3.1 The Audit & Counter Fraud Charter was approved by the Finance & Audit Committee in March 2019 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.
- 3.2 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.

4. Resources

- 4.1 The Audit & Counter Fraud Shared Service reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. The team currently has an establishment of 14 officers, consisting of; the Head of Internal Audit & Counter Fraud, three Audit & Counter Fraud Team Leaders, eight Audit & Counter Fraud Officers, one audit & Counter Fraud Intelligence Analyst (post vacant since 1 June 2019) and one Audit & Counter Fraud Assistant.
- 4.2 The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 64% for Medway, with the remaining 36% for Gravesham. The establishment at the time the Audit & Counter Fraud Plans for 2019-20 were prepared, was forecasted to provide a total of 1,952 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 703 days.
- 4.3 Net staff days available for Gravesham for the period 1 April to 31 July 2019 amounted to 263 days and 236 days (90%) were spent on productive audit and counter fraud work. Of this productive time, 152 days (65%) were spent on audit assurance and consultancy work, while 84 (35%) were spent on counter fraud and investigation work. In addition, 16 days were spent on SPOC related duties. The current status and results of all work carried out are detailed at section 5 of this report.
- 4.4 Staff sickness, a period of vacancy created by a promotion within the team and the retirement of one officer has affected the level of resources available. To date this has resulted in a net loss of approximately 49 days from the original resource budget of 703 days for Gravesham.
- 4.5 Following a successful recruitment process, a new Intelligence Analyst will be joining the team in early September 2019.

5. Results of planned Audit & Counter Fraud work

- 5.1 The Audit & Counter Fraud Plan 2019-20 for Gravesham was approved by the Finance & Audit Committee in March 2019. 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.

5.2 The tables below provide details of the work from 2018-19 that has been finalised in 2019-20, the progress of work undertaken as part of the 2019-20 annual plan and the results of investigative work completed during the period.

2018-19 Internal Audit Assurance work completed in 2019-20 (since the last Audit Committee meeting)

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
5	Ethics	15	17.8	Final Report Issued	<p>The review considered the following Risk Management Objectives: RMO1 - All council employees behave with integrity, demonstrate strong commitment to ethical values and respect the rule of the law. The review found that the council has a suite of policies that outline the way employees are expected to behave, most notably, the Code of Conduct for employees. Although the Code of Conduct contains information in relation to the behaviour expected of employees, including working with integrity and working within the law, there is not a clear definition as to what 'ethical values' the council holds and expects its employees to work by. The Code of Conduct is communicated to all new and existing staff via the NETconsent policy distribution system, which includes a mandatory sign-off process, and sign off is monitored by the Corporate Performance team. Although there are some references to equal opportunities, the council's ethical values are not yet fully embedded into its recruitment, induction and appraisal processes. Reports of unacceptable or unethical behaviour can be made under a number of council policies, depending on the nature of the information to be reported, including the Whistleblowing Policy, Disciplinary Policy, Grievance Procedure, Dignity at Work Policy and Anti-Fraud & Corruption Strategy; there is limited corporate monitoring of reports of unethical behaviour received under these various policies. Opinion: Amber.</p> <p>RMO2 – A robust policy is in place to ensure all staff are aware of the council's position, regarding declarations of personal interest and gifts and hospitality. The review found that the council's position and expectations of staff in relation to gifts & hospitality and declarations of interest are clearly set out within the Code of Conduct. However, it was noted that the information provided in relation to making entries to the Gifts & Hospitality and Employee Interest Registers requires updating to reflect current procedures. Testing found that at the time of audit 28 entries had been made to the Gifts & Hospitality Register in 2018-19; all of the gifts kept were of small value as per the guidance provided in the Code of Conduct. Four gifts were listed as being donated to the Mayors Charity; all four of these were identifiable on the inventory of items donated to the Mayor's Charity held by Committee & Election Services. The last entry to the Employee Interest Register was in 2016-17. Opinion: Amber.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>RMO3 –The council ensures that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</p> <p>The review found that the council has an agreed Working in Partnership Framework, which includes a specific section on maintaining ethical standards. In addition, the Partnership Evaluation template contains a section where officers are asked to confirm that the partnership has a code for maintaining ethical standards. Within the Partnership Agreement template, there is a clause specifically relating to maintaining ethical standards which states “All members of the Partnership, the Board and any Sub-Groups shall abide by current nationally-recognised procedures, guidelines and standards for ensuring probity and good governance in public life. In particular, they will observe the “Seven Principles of Public Life” (the “Nolan’ principles) set out Annex A”. A clause is also included setting out procedures for dealing with breaches of the agreement.</p> <p>Review of the council’s standard contract terms and conditions found that there are no references to ethical values; there are however clauses which could come under the banner of ‘ethical behaviour’ including: Conflicts of Interest, Bribery and Fraud, Prevention of Corruption, Human Rights, Discrimination, Equal Opportunities, Health and Safety, Safeguarding Children and Vulnerable Adults, Confidentiality, and, Whistleblowing Procedure. Opinion: Amber.</p> <p>Overall Opinion: Amber. Recommendations: Two medium and four low priority. Recommendations relate to to establishing a clear and consistent definition of what ethical values the council holds and expects its employees to work by, incorporating these ethical values into the recruitment, induction and appraisal processes, reviewing reporting arrangements outlined within the Anti-Fraud & Corruption Strategy and introducing arrangements to identify and collate reports of unethical behaviour received via the various council policies. A recommendation relating to the councils contract template containing an expectation for contractors to maintain the ethical values of the council was rejected.</p>
14	Use of Enforcement Services (Previously titled Use of Bailiffs)	10	13.8	Final Report Issued	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - Arrangements around the use of enforcement services are consistent.</p> <p>The review found that the council’s Corporate Fair Debt Policy establishes procedures for the recovery of all debts outstanding to the authority, in line with</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>legislation. The Policy was last updated in October 2018 and is currently under review but has not recently been circulated to relevant officers. The Policy ensures that each debtor is treated fairly and as an individual with compassion in cases where genuine financial difficulty is experienced; enforcement services are used as a last resort. There are currently three types of ‘enforcement services’ used by the council;</p> <ul style="list-style-type: none"> • Enforcement Agents are authorised to collect debt on behalf of a creditor; they are able to levy distress and act on a warrant issued by the courts. A number of Enforcement Agents are used by the council in respect of Council Tax, National Non Domestic Rates (NDR), Commercial Rent and Parking Enforcement. • Debt Collection Agents can chase a debtor to pay what is owed to a creditor, but do not have the same legal powers as an Enforcement Agent and cannot levy distress. One Debt Collection Agent is used by the council in respect of Housing Benefit Overpayments and Sundry Debt. • High Court Enforcement Agents (Sheriffs) are directly employed by the courts to enforce County Court Judgements; (CCJs) they can levy distress in order to recover money owed. CCJs are obtained by the council, where appropriate, in respect of Housing Benefit Overpayments, Sundry Debt and Commercial Rent. <p>Audit testing confirmed that recovery action in relation to the use of enforcement services is carried out by all services in line with the Corporate Fair Debt Policy, with the exception of Housing Rents, who, as identified in the 2017 audit of Housing Rents, are not currently using enforcement services as per the Policy. A report has recently been presented to Management Team setting out a route for procuring corporate enforcement services, which will assist with implementing an outstanding recommendation in relation to this matter.</p> <p>The council has a Vulnerable Persons Policy which provides guidance on how to deal with vulnerable persons who owe a debt to the council. No evidence could be identified that the council’s own Vulnerable Persons Policy has been shared, however it is understood that all Enforcement Agents, Debt Collection Agents and Sheriffs used have their own vulnerable persons policies, which are followed. While all services are following the general principles of the council’s Policy, it was noted that none are precisely following the explicit procedures set out in the Policy. Opinion: Amber.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>RMO2 - Contractual arrangements are in place to ensure value for money. As discussed above a report has recently been presented to Management Team setting out a preferred route for procuring enforcement services. This is in recognition of the fact existing arrangements have been in place for a number of years and the council needs to undertake a procurement process to secure these services on an ongoing basis; though it should be noted that over the last few years the council has made attempts to secure enforcement services on a more corporate basis. The review found that a number of companies currently provide enforcement services to the council, however signed Service Level Agreements (SLAs) could only be provided during the course of the audit in respect of two of these; both of these being outside of the initial agreement period. In addition only one of the SLAs contains information in relation to the agreed level of performance. Each department has its own arrangements for monitoring the enforcement services used, with all Enforcement Agents supplying monthly reports detailing what debt has been collected and what is outstanding; other monitoring mechanisms used across the services include review meetings, email / telephone correspondence and monitoring via online portals.</p> <p>None of the Enforcement Agents used charge the council for their services; their income is instead garnered from the fees levied to debtors, which are laid down by legislation and are added to the overall debt. The council is however invoiced for VAT on the fees levied, which can then be claimed back. Each service receives regular remittances and invoices from the Enforcement Agents for the VAT element, with details of all debts collected and fees charged. Charges are also not applied for use of Sheriffs, however there is a set fee for any cases which are returned as unsuccessful. Opinion: Red.</p> <p>Overall Opinion: Amber. Recommendations: One high, one medium and one low priority.</p> <p>Recommendations relate to the council's Corporate Fair Debt Policy being circulated to all relevant staff, the council's procedures and policy in respect of vulnerable debtors being reviewed and shared with the Enforcement Agents, Debt Collection Agents and Sheriffs used, and appropriate agreements being put in place for all enforcement services, including expected performance arrangements then being put in place for performance to be monitored in line with the agreement, including documenting any meetings held.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
16	Refunds	10	N/A	Draft Report with Client for Consideration	The review considered the following Risk Management Objectives: RMO1 - Adequate policies and procedures are in place for the administration of refunds. RMO2 - Adequate arrangements are in place for the processing of refunds.
17	Write Offs	15	19.1	Final Report Issued	The review considered the following Risk Management Objective: RMO1 - There are arrangements & procedures in place regarding debt write off. The review found there are policies and procedures in place in respect of debt write off. An update of a pro-forma now has codes slightly misaligned and is in need of review. All services had supporting evidence to demonstrate steps taken before writing off the debt. The procedure notes require services to attach documentation to the pro-forma. The review of the procedure notes should reflect services who retain information electronically rather than in paper based files, prompting them to indicate where electronic information is held. Where services write off debt because they are unable to locate the debtor the review tested a sample across services to ensure every attempt is made to trace debtors. Most services were not consistently making use of NAFN services to assist debtor tracing but the Director for Corporate Services has reminded Wider Management Team this is a function available and expected to be used by officers where appropriate. The write off authorising officers know the most appropriate tracing enquiries for their service. With testing demonstrating inconsistent approaches in some services, officers should be reminded of the enquiries they are expected to make before writing off a debt. Opinion: Amber. Overall Opinion: Amber. Recommendations: One medium and two low priority. Recommendations relate to a review of the Write Off procedure notes to ensure Codes align with the updated pro-forma, and to reduce the generation of paperwork by reflecting that more services hold information electronically

2019-20 Internal Audit Assurance work

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
Core governance and financial systems assurance work					
1	Governance framework	10	N/A	Not Yet Started	

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
2	Constitution maintenance	10	N/A	Not Yet Started	
3	Partnership framework and shared working arrangements	10	10.6	Final Report Issued	<p>The review considered the following Risk Management Objectives: RMO1 – Arrangements have been put in place to ensure delivery of the council’s partnership and shared working projects.</p> <p>The review found that the council has a Working in Partnership Framework which is used to deliver partnership and shared working arrangements. It is reviewed every three years and was last approved in April 2019. The framework document is comprehensive and outlines all aspects that need to be considered when developing and managing partnership or shared working arrangements. The Framework requires that for all proposed shared working arrangements, a business case is prepared and for all partnerships, a partnership evaluation is carried out. Business case and partnership evaluation templates are provided as appendices to the Framework and their use is strongly recommended, however they are not compulsory; for example, the issues could instead be covered in a Management Team report. Before entering into a partnership or shared working arrangement, the Section 151 Officer and Monitoring Officer must be consulted; approval is via a combination of Management Team, the Leader of the Executive and relevant Cabinet Portfolio Holder(s) depending on the type of arrangement. The Framework and templates are provided on the staff intranet; an email was also sent to Wider Management Team on adoption of the revised Framework, providing a copy of the Framework and advising managers to read/review the document and ensure it is used where it is appropriate to do so. As part of the manager assurance statement completed annually by members of the Wider Management Team to support the Annual Governance Statement, managers are asked to confirm that all partnership and shared working arrangements entered into during the year followed the Framework. The most recent service to go through the shared services process was Licensing. A comprehensive business case was prepared, with approval to progress with the shared service given by Cabinet.</p> <p>There is a Corporate Register of Partnerships and Shared Working Arrangements in place and provided on the council’s website. The Register is maintained by the Corporate Change Team and is reviewed annually. There are a number of partnerships and shared working arrangements listed on the Register, including the latest Licensing Shared Service. According to the Register the most recent</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>partnerships to have been created, all in 2017, were ‘Altogether Safer – Reducing Violence Against Women & Girls (VAWG)’, ‘GO TRADE’ and ‘Kent Equality Cohesion Council’. There is evidence that entry to all three of these partnerships was scrutinised. Post-implementation reviews are undertaken following completion of all shared service projects. Opinion: Green.</p> <p>RMO2 – Arrangements have been put in place to ensure projects are working in accordance with the requirements of the Partnership Framework</p> <p>The Working in Partnership Framework contains appendices which provide guidance on areas that should be considered in partnership and shared working agreements. Review of the Licensing shared service agreement and several partnership agreements identified during the audit indicated that they were all in line with the Framework guidance.</p> <p>The Framework states that there should be proper arrangements in place for stating outcomes, setting targets and monitoring and reporting on performance and finances; responsibility for day-to-day monitoring lies with those appointed to represent the council on partnerships, or officers who work in shared service arrangements.</p> <p>The Corporate Register of Partnerships and Shared Working Arrangements contains information in relation to the financial reporting and performance monitoring procedures that are in place for each arrangement. Following the annual review of the Register, the relevant parts are shared with the appropriate Cabinet Committees to inform Members of the council’s involvement in partnerships which are within the remit of each committee.</p> <p>A review of the governance arrangements of all partnerships is undertaken each year via the manager assurance statements completed by members of the Wider Management Team, to support the Annual Governance Statement; with managers asked to confirm that all partnerships within their department have appropriate governance arrangements, that partnership budgets are managed and monitored appropriately and that achievements against partnership objectives are monitored. In addition, annual reviews are carried out for all shared working arrangements, which are received by Cabinet or the relevant Cabinet Committee and consider how the shared service is operating and how the service will operate moving forward.</p>

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
					<p>The guidance on preparing shared service and partnership agreements states that agreements should detail how the arrangement can be terminated. Agreements viewed as part of the audit included details of the termination process and arrangements for dispute resolution.</p> <p>Performance Indicator (PI) 45, within the council's Performance Management Framework, monitors the percentage of posts involved in shared services arrangements; this currently stands at six percent.</p> <p>Regular update reports are provided to Management Team and Members on the 'Bridging the Gap' activities which only include savings once they have been realised. Opinion: Green.</p> <p>Overall Opinion: Green. Recommendations: None.</p>
4	Treasury management	10	N/A	Fieldwork Underway	<p>The review will consider the following Risk Management Objectives:</p> <p>RMO1 - In line with the CIPFA Code of Practice, the authority has an appropriate Treasury Management Strategy in place.</p> <p>RMO2 - There are key controls in place to manage the appropriate investment of funds.</p>
5	Creditors	10	N/A	Not Yet Started	
6	Income collection	10	N/A	Not Yet Started	
7	Insurances	10	N/A	Not Yet Started	
8	Budget monitoring	10	N/A	Not Yet Started	
9	Housing benefit overpayments	10	N/A	Not Yet Started	
10	Council tax recovery	10	N/A	Fieldwork Underway	<p>The review will consider the following Risk Management Objectives:</p> <p>RMO1 - Arrangements are in place to recover unpaid council tax liabilities in a timely and equitable manner.</p>
11	Housing rent administration and collection	10	N/A	Fieldwork Complete, In Quality Control	<p>The review considered the following Risk Management Objectives:</p> <p>RMO1 - Rent liability is accurately calculated.</p> <p>RMO2 - Adequate arrangements are in place for the administration of the Council's rent accounts.</p> <p>RMO3 - Adequate arrangements are in place for the accurate collection of rent.</p>
12	Asset management	15	N/A	Not Yet Started	

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
13	Performance data verification	3	2.8	Complete	The team undertook verification checks on the 2018-19 performance measures selected for checking by the Corporate Performance Team.
Corporate risks assurance work					
14	Out of hours services	15	14.3	Final Report Issued	<p>A consultancy review was undertaken to establish: If there is an appropriate and consistent approach across services to compensate staff who provide an out of hours service.</p> <p>The review identified that there are no consistent rules applied to standby and callout duties and payments across the council or even within each directorate. Individual services have set their procedure rules for out of hour's services but were unable to provide documentary evidence to support the schedule of payments and any review of these payments.</p> <p>No Opinion delivered as this was a consultancy review. Recommendations: Two high priority.</p> <p>Recommendations relate to establishing an Out of Hours Policy, putting in place payment schedules and ensuring officers verify the correct rate of payment.</p>
15	Staff sickness management and monitoring	15	N/A	Terms of Reference being prepared	
16	Apprenticeship scheme	15	N/A	Not Yet Started	
17	Public Place Protection Order Enforcement	10	N/A	Fieldwork Underway	<p>The review will consider the following Risk Management Objectives: RMO1 - Appropriate arrangements are in place for the council to deliver / enforce the Public Space Protection Order in the town centre. RMO2 - Arrangements exist for enforcement services to be operated in line with legislation.</p>
18	Unauthorised encampments	10	N/A	Not Yet Started	
19	Woodville box office and ticketing	10	N/A	Not Yet Started	
20	Garden waste collection service	10	N/A	Not Yet Started	

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
21	Responsive repairs service (including supplies management)	20	N/A	Not Yet Started	
22	Temporary accommodation	10	N/A	Terms of Reference being prepared	
23	Sheltered housing	15	N/A	Not Yet Started	
24	Private sector housing – Disabled facilities grants	15	N/A	Fieldwork Complete, In Quality Control	The review considered the following Risk Management Objectives: RMO1 - Arrangements are in place to facilitate and monitor the payment of Private Sector Housing - Disabled Facilities Grant.
25	Tenancy enforcement	10	N/A	Not Yet Started	
26	Business continuity - back-up arrangements	10	N/A	Fieldwork Complete, In Quality Control	The review considered the following Risk Management Objectives: RMO1 - There are adequate backup facilities in place. RMO2 - Appropriate measures are in place to ensure the maintenance of the IT business continuity plan.
27	Property Acquisition Strategy	10	N/A	Terms of Reference being prepared	
28	Finalisation of 2018-19 planned work	25	N/A	Underway	Three of the four reviews outstanding from 2018-19 have now been finalised. Discussions with clients continue in relation to the fourth review relating to refunds as it affects more than one service and there are discussions between those services regarding the agreement of the recommendations. It is hoped that this will be finalised shortly once agreement is met with those services.
29	Responsive assurance work	10	N/A	Underway	The team carried out detailed checks to ensure the accuracy of spreadsheets used to verify the ballots issued and calculate the results of the Local and European elections held in May.
Counter Fraud Assurance Work					
33	Council Tax Reduction Scheme	15	N/A	Terms of Reference being prepared	
34	Flexi, TOIL and overtime	15	N/A	Not Yet Started	

Other consultancy services including advice & information

Activity	Opinion, summary of findings & recommendations made
Town Twinning Association	The team carried out an audit of the Gravesham Town Twinning Association's accounts.
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.
LATCo Corporate Working Group	One of the Audit & Counter Fraud Team Leaders is part of a project group overseeing formation of a Local Authority Trading Company.

Counter Fraud Activity

Ref	Activity	Day Budget	Days Used	Current status	Opinion, summary of findings & recommendations made
36	Proactive investigation work	30	N/A	Not yet started	Due to the volume of NFI matches to be reviewed, we have not undertaken any additional pro-active exercises at this time.
37	Data matching exercises (including NFI & KIN)	30	N/A	Underway	<p>Checking of the matches received as part of the 2018-19 NFI exercise continues and a number of cases are under active investigation as a result, as well as some that have been concluded in relation to council tax.</p> <p>The Benefits team are working through the matches relating to Housing Benefit and have so far identified overpayments totalling £7,435.76 for HB and £1,372.24 for CTR. These are not included as part of the savings identified by Audit & Counter Fraud.</p>
38	Fraud awareness	10	N/A	Underway	Members have received fraud awareness training as part of their induction following the elections in May.

Reactive Investigations work: external investigations

Area	Number of referrals rejected	Number of investigations concluded	Summary of results	Cashable Savings	Non-cashable Savings	Prevented Losses
Council Tax	0	63	Thirteen cases concluded with the removal of the council tax discount/exemption, one of which also resulted in the issue of a civil	£9,957.21 (Historic Liability)	N/A	N/A

Area	Number of referrals rejected	Number of investigations concluded	Summary of results	Cashable Savings	Non-cashable Savings	Prevented Losses
			penalty, and one case was concluded with the removal of the CTR award. 50 cases were concluded with no evidence of fraud.	£5,640.39 (Additional liability for future years) £70 (Civil Penalty)		
Tenancy & Right to Buy	3	7	Seven cases concluded resulting in the cancellation of one right to buy application and the recovery of two properties.	N/A	£36,000	£82,800
Housing Allocations	1	1	One case concluded with no evidence of fraud.	N/A	N/A	N/A
Other	1	1	One case relating to falsified parking tickets was proven but further action was deemed not to be in the public interest as the financial value could not be identified and parking fines had been paid promptly.	N/A	N/A	N/A

Reactive Investigations work: internal investigations

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

6. Quality Assurance & Improvement Programme

- 6.1 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's QAIP was agreed by the Finance & Audit Committee in February 2019.
- 6.2 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.
- 6.3 In line with the QAIP, the team monitor performance against a suite of 24 performance indicators based on the balanced scorecard, covering the four perspectives; financial, internal process, learning & growth and customer. The table below sets out the performance targets, which are grouped into measures for the service and those that are specific to the individual authority. Targets have been set for 17 of the 24 indicators, however it should be noted that these are for full year outturns; as such outturns at present are not to target levels but are provided for Members information.

Ref	Indicator	Target	Outturn for report period
Non LA Specific Performance Measurements			
A&CF1	Cost of the Audit & Counter Fraud Shared Service: Total Cost LA Share	N/A	£676,792 £209,667
A&CF2	Cost per A&CF day	£400	£350
A&CF3	Proportion of staff with relevant professional qualification: Relevant audit qualification Relevant fraud qualification	75%	21% 57%
A&CF4	Proportion of non-qualified staff undertaking professional qualification training	25%	7%
A&CF5	Time spent on CPD/non-professional qualification training, learning & development	70 days	30 days
A&CF6	Compliance with PSIAS	100%	98%
A&CF7	Staff turnover	N/A	0.36FTE
LA Specific Performance Measurements			
A&CF8	Average cost per assurance review	£5,000	£4,120
A&CF9	Proportion of available resources spent on productive work	90%	90%
A&CF10	Proportion of productive time spent on: Assurance work Consultancy work	65%	57% 8%
A&CF11	Proportion of productive time spent on: Proactive counter fraud work Reactive counter fraud work	35%	16% 19%
A&CF11a	Time spent on SPOC associated duties	N/A	16 days

A&CF12	Proportion of agreed assurance assignments: Delivered Underway	95%	18% 29%
A&CF13	Proportion of assignments completed within allocated day budget	90%	50%
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%	0%
A&CF15	Proportion of recommended actions agreed by client management	90%	96%
A&CF16	Number of recommendations agreed that are: Not yet due Implemented Outstanding	N/A	22 16 4
A&CF17	Proportion of recommended actions implemented by agreed date	N/A	80%
A&CF18	Number of referrals received	N/A	381
A&CF19	Number of investigations closed	N/A	77
A&CF20	Value of fraud losses identified: Cashable (losses that can be recovered) Non-cashable (notional savings based on national estimates) Prevented losses (savings associated with blocked applications)	N/A	£15,668 £36,000 £82,800
A&CF21	Customer satisfaction with individual review/assignment	95%	100% (based on one response received during the period)
A&CF22	Customer satisfaction with overall service	95%	A wider satisfaction survey was conducted in March 2019 and received 11 responses. Eight of the 11 respondents (73%) were either satisfied or very satisfied with the overall service provided by Audit & Counter Fraud. The remaining three (27%) gave a neutral response.
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	
A&CF24	Opinion of external audit	Positive	

7. Review of Audit & Counter Fraud Plan

7.1 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.

- 7.2 The most recent resource review projects a loss of approximately 49 days from the original budget of 703. At this time we are not proposing to make any changes to the agreed work plan but continue to monitor the resource budget to ensure that we are responsive to any sudden changes and can request amendments as soon as possible.

8. Follow up of agreed recommendations

- 8.1 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.
- 8.2 Service managers are asked to provide an update on action taken towards implementing all recommendations due on a monthly basis and are also asked to supply evidence to confirm that action has been taken in respect of all High priority recommendations, which is verified by the Audit & Counter Fraud Team.
- 8.3 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	Number of recommendations due for implementation where a positive management response has been received
Private Housing Enforcement	<p>Opinion: Amber</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. (see update in table below)</p>
Housing Rents	<p>Opinion: Amber</p> <p>Four recommendations agreed: two high and two medium priority.</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>Four recommendations due, four implemented.</p>
IT Security – User Access Controls	<p>Opinion: Amber</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>Four recommendations due, four implemented.</p>
NNDR	<p>Opinion: Green.</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>	<p>One recommendation due, one implemented.</p>
Building Security	<p>Opinion: Amber.</p> <p>Five recommendations agreed: three high and two medium priority.</p> <p>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>Five recommendations due, four implemented.</p> <p>One high priority recommendation outstanding relating to enhancement of arrangements for managing the Access Control System.</p>
Contact Centre Operations	<p>Opinion: Green.</p> <p>Four recommendations agreed: three medium and one low priority.</p>	<p>Four recommendations due, four implemented.</p>

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Number of recommendations due for implementation where a positive management response has been received
	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.	
Business Continuity	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.	Four recommendations due, three implemented. One high priority recommendation outstanding relating to a programme of learning for managers. (see update in table below)
Performance Management Framework	Opinion: Green . Three low priority recommendations agreed. Recommendations relate to an elected Member training document being devised, the Data Quality Policy being updated regarding point 5.8 and Appendix 4 and documented agreement from the relevant Portfolio holder being obtained for all targets.	Three recommendations due, three implemented.
Bad Debt Provision	Opinion: Amber . Three recommendations agreed: one medium and two low priority. Recommendations relate to ensuring all elements of debt within the council are considered, producing written notes on the methodologies being used and checking data used in calculation is accurate.	Three recommendations due, three implemented.
Establishment Management	Opinion: Amber . Five recommendations agreed: one high, three medium and one low priority. Recommendations relate to ensuring consistent information is provided for all requests to make changes to the establishment, ensuring that HR implications are formally considered for each change, preparing a policy or procedure note setting out the process for making changes to the establishment, reviewing forms used to make changes to the establishment on Resource Link and carrying out periodic reconciliations between the establishment list and salaries budget.	Five recommendations due, four implemented. One high priority outstanding relating to carrying out periodic reconciliations between the establishment list and salaries budget.
Housing Allocations (Counter Fraud review)	Opinion: Amber . Seven recommendations agreed: three high and four medium priority. Recommendations relate to reviewing and, where appropriate, updating the current Allocations policy, refresher training in respect of document verification, applicants supplying	Four recommendations due, four implemented.

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Number of recommendations due for implementation where a positive management response has been received
	original identification and supporting evidence in respect of all applications, application forms and supporting documents being retained in all cases, the introduction of a formal process for all direct let authorisations, an annual review of the housing waiting list and annual declarations of interest being completed by all allocations staff.	
VAT	Opinion: Green . Three low priority recommendations agreed. Recommendations relate to improving VAT awareness to staff outside of Finance and implementing procedures in relation to VAT and bad debt write offs.	No recommendations due before 31 July 2019.
Transparency	Opinion: Amber . One medium priority recommendation agreed. Recommendation relates to formally allocating responsibility for updating each dataset required by the Local Government Transparency Code and reminding relevant officers to update data in line with the publication frequencies set out in the Code.	One recommendation due, one implemented.
Brookvale Health & Safety	Opinion: Amber . Four recommendations agreed: one high, two medium and one low priority. Recommendations relate to ensuring that training records are maintained and complete for all Brookvale operatives, a requirement for the officers undertaking risk assessments to be qualified to do so, ensuring that checks are made that the employment agencies who provide workers supply appropriate PPE and identifying an area suitable for first aid treatment, ensuring easy access and a washable floor.	One recommendation due, one implemented.
GDPR	Opinion: Red . One high priority recommendation agreed. Recommendation relates to the implementation of an effective monitoring system once the Council has progressed its GDPR compliance sufficiently.	No recommendations due before 31 July 2019.
Homelessness	Opinion: Red . Four recommendations agreed: three high and one medium priority. Recommendations relate to the website being updated in line with the Homelessness Reduction Act, and the rebadging, implementation and publication of the Homelessness Prevention Strategy, as in line with the Rough Sleeping Strategy delivery plan, the creation of procedure notes to support the new requirements of the act, and looking at prevention measures and longer term accommodation options, in order to make better use of the temporary accommodation budget, and help prevent homelessness.	Two recommendations due, two implemented.

Audit & Counter Fraud Review title	Overall opinion and number of recommendations of each priority agreed with management	Number of recommendations due for implementation where a positive management response has been received
IT Strategy & Implementation	<p>Opinion: Amber.</p> <p>Two medium priority recommendations agreed.</p> <p>Recommendations relate to ensuring discrepancies identified by the licence management software are investigated with a record of corrective action taken and reconciliations of IT asset records.</p>	Two recommendations due, two implemented.
Write-Offs	<p>Opinion: Amber.</p> <p>Three recommendations agreed: one medium and two low priority.</p> <p>Recommendations relate to a review of the Write Off procedure notes to ensure Codes align with the updated pro-forma, and to reduce the generation of paperwork by reflecting that more services hold information electronically</p>	Three recommendations due, three implemented.
Out of Hours Services	<p>No Opinion Delivered – Consultancy Review</p> <p>Two high priority recommendations agreed.</p> <p>Recommendations relate to establishing an Out of Hours Policy, putting in place payment schedules and ensuring officers verify the correct rate of payment.</p>	No recommendations due before 31 July 2019.
Use of Enforcement Services	<p>Opinion: Amber.</p> <p>Three recommendations agreed: one high, one medium and one low priority.</p> <p>Recommendations relate to the council’s Corporate Fair Debt Policy being circulated to all relevant staff, the council’s procedures and policy in respect of vulnerable debtors being reviewed and shared with the Enforcement Agents, Debt Collection Agents and Sheriffs used, and appropriate agreements being put in place for all enforcement services, including expected performance arrangements then being put in place for performance to be monitored in line with the agreement, including documenting any meetings held.</p>	No recommendations due before 31 July 2019.
Ethics	<p>Opinion: Amber.</p> <p>Five recommendations agreed: two medium and three low priority.</p> <p>Recommendations relate to to establishing a clear and consistent definition of what ethical values the council holds and expects its employees to work by, incorporating these ethical values into the recruitment, induction and appraisal processes, reviewing reporting arrangements outlined within the Anti-Fraud & Corruption Strategy and introducing arrangements to identify and collate reports of unethical behaviour received via the various council policies.</p>	No recommendations due before 31 July 2019.

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	Private Housing Enforcement	The Private Housing Enforcement policy should be reviewed and updated in line with the Housing and Planning Act.		Medium	31 December 2017	The final draft of the Private Sector Housing Enforcement Policy and associated Policy for imposing financial penalties under the Housing Act 2004 and the Housing and Planning Act 2016 has been completed and will be presented to MT next week. (w/c 14/08/2019)
Communities	Business Continuity Planning	A programme of learning is required to ensure: a) Managers can complete a BCP and test that it is effective, b) Staff know how to put their BCP into practice.		High	31 October 2018	Although outstanding at 31 July 2019, the recommendation has since been implemented.

Definitions of audit opinions & Recommendation Priorities

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

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