



Review of the Audit & Counter Fraud Shared Service

(Shared service Commenced: December 2015)

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In line with all shared service/shared working arrangements, it is necessary to undertake an annual review of the arrangement. The purpose of the review is two-fold; to ensure that the shared service is delivering against its agreed objectives and to identify any improvements/changes that need to be made to ensure the successful continuation of the arrangement.

The objectives identified for the Audit & Counter Fraud shared service are as follows:

- Deliver the statutory internal audit function.
- Deliver an effective counter fraud and investigation service.
- Provide a Single Point of Contact (SPOC) for the Department for Works and Pensions (DWP) for their investigation of Housing Benefit Fraud.
- Deliver a reduction in the cost of service delivery to mitigate the reduction in funding from the DWP as a result of the introduction of the Single Fraud Investigation service (SFIS).
- Provide increased resilience and flexibility to meet the needs of both councils.

Key areas of focus for the 2019-20 financial year were identified as follows:

- Investigate potential apprenticeship opportunities for staff development

Review Findings

How is the shared service operating?

1. Has the shared service delivered on the objectives that are set out on page two of the review document?

Yes

No

In part

Please provide details of how the objectives have been met. If they haven't been met or have been met in part, please provide the reasons for this and any action identified to rectify this.

- **Deliver the statutory internal audit function** – Statutory internal audit functions have been maintained throughout the year but the Covid 19 pandemic did have an impact on service that meant not all targets were met in year. The service was identified as non-critical in the early stages of the emergency response for both councils and business as usual ceased, meaning that planned assurance reviews were not completed. This resulted in plan completion of 72% for Gravesham and 81% for Medway as at 31 March 2020.

Work continued during Q1 of 2020-21 to try and address this issue and plan completion as of 30 June 2020 was 92% for Gravesham and 89% for Medway, although this was still below the target of 95%.

- **Deliver an effective counter fraud and investigation service** – The counter fraud function has seen improvement during 2019-20 with the following results across the two councils;
 - additional council tax and business rates of £584,599 identified,
 - notional savings of £108,750 associated with the recovery of six council properties and one blue badge, and
 - a prevented loss of £82,800 associated with a blocked fraudulent right to buy application.
- **Provide a Single Point of Contact (SPOC) for the Department for Works and Pensions (DWP) for their investigation of Housing Benefit Fraud** – excellent service maintained
- **Deliver a reduction in the cost of service delivery to mitigate the reduction in funding from the DWP as a result of the introduction of the Single Fraud Investigation service (SFIS)** - cost of service has increased in line with salary increases but still delivers a saving against the previous service if same increases were applied to the 2015-16 baseline budgets as a comparison.
- **Provide increased resilience and flexibility to meet the needs of both councils** – While there has been no significant sickness within the service during 2019-20, there were periods of vacancy that have impacted on the level of resource available but the service was adapted to cope with these issues. The failure to meet targets is linked purely to the closure of the service during the emergency response.
- **Investigate potential apprenticeship opportunities for staff development** – An audit apprenticeship was identified in year and plans made for two officers to commence a two year apprenticeship in the early part of 2020-21, however, this has been delayed by the Covid 19 Pandemic as courses ceased in response to the lockdown. We have

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continued to monitor the situation and plans are now in place for two officers to commence the apprenticeship around October 2020.

2. Have there been any other, unforeseen benefits, as a result of the shared service?

Yes No

Please provide details of any other benefits, which were not anticipated at the start, which have come about as a result of the shared service.

The setup of the service and its flexible working capabilities, originally intended to working across two council sites, meant that the impact of the Covid 19 lockdown was minimal in the sense that all officers were immediately able to switch to remote working from home with minimal issues. Had it not been an emergency response situation that resulted in the decision to shut down the service as non-critical, all functions could have continued with minimal interruption to the service.

Officers from the service were involved in the emergency response/resilience teams for both Medway and Gravesham during the peak of the Covid 19 pandemic. This meant knowledge of best practice and what was working well could be shared quickly, which was of great benefit to both councils.

3. Have there been any unforeseen issues or problems resulting from the shared service?

Yes No

Please provide details of any other issues of problems that have arisen which were not previously identified and how these have been managed/rectified.

4. What has been the financial impact of the shared service on both authorities?

Please provide details of the financial impact of the shared service i.e. confirmation of any savings achieved, if these are above/below anticipated levels, any costs that were not previously considered or have arisen etc.

Both authorities have seen budget savings from the introduction of the shared service, with baseline budgets being significantly reduced in comparison to before the service was launched. While the cost of service has increased due to salary increases in line with national changes, it still delivers a saving against the previous services, which would be demonstrated if the same increases were applied to the 2015-16 baseline budgets as a comparison.

In addition, the savings generated by the work of the counter fraud function clearly demonstrate the financial benefits of investigation and redress. The overall cost of the A&CF Service for 2019-20 was £570,652 and approx. 35% of resource is directed towards counter fraud activity, meaning the counter fraud function costs approx. £199,728. As mentioned in

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section 1, the service has identified savings totalling £776,549. While such significant results cannot be guaranteed each year, it is entirely possible that the counter fraud function could be self-financing.

5. Feedback from officers involved in the shared service:

Please provide details of feedback that you have received from officers involved in the shared service. This section could be completed via a short team meeting for example, whereby officers views are sought.

In general the feedback from officers within the service is positive with the majority citing the flexibility of the working arrangements and the ability to work at varying sites as key benefits. The only real negatives related to training and concerns around multi-disciplinary working.

The service was set up with the ambition for all staff to become multi-disciplinary, handling both audit and fraud work to create resilience for the two authorities. Unfortunately, in 2017-18 and 2018-19, there was significant long terms sickness amongst the officers and our results for those years demonstrate that while resilience was achieved for audit but at the expense of fraud activity; which is demonstrated by the lower savings achieved in those two years.

Officers have commented that the two roles, while on paper having similarities around analysis of evidence, are actually quite different and difficult to manage at the same time, as priorities are often very conflicting and this was evident in the quality of some work. It was also pointed out that were officers to achieve professional qualifications in both audit and fraud, it would be extremely difficult to demonstrate sufficient 'continuous professional development' (CPD) on an annual basis to maintain their accreditations in both disciplines.

In 2019-20, we trialled the approach of returning to dedicated auditors and investigators and officers have commented that this has provided some much needed stability with very little sickness and allowed them to focus on their roles. As a service, we have also recorded some of our highest fraud savings to date, suggesting that the approach of designated roles is more effective.

Moving forward with the shared service

6. Based on the review that has been undertaken will the shared service continue to operate?

Yes

No

If 'No' please provide details of why it is felt that the shared service should not continue and any exit plans that have been discussed/agreed.

If the answer is 'Yes' but there are changes that need to be made to ensure the shared service is effective, please provide details of the changes that are required and how they will be addressed.

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7. If the shared service is to continue to operate, what are the key areas of focus for the coming year for both authorities?

If answered 'Yes' to question 5, please provide details of the key aspects of work that are going to be undertaken in the year in order to ensure the shared service continues and is further strengthened.

The main priority for 2020-21 has to be ensuring delivery of all necessary assurance related activity. A revised work plan for 2020-21 has been created to take into account the loss resource created by the shutdown of the service, although much of the redeployment activity has been in areas where assurance and fraud prevention advice has been required.

It is anticipated that there will be an increase in the level of counter fraud work due to new areas of fraud being identified around business support grants. The Cabinet Office will be undertaking additional data matching as part of the National Fraud Initiative Exercise, so it is likely there will be a significant increase in the volume of data matches received. Options for how this increase will be resourced will be considered and submitted for approval during 2020-21.

Summary of recommendations

Please list any recommendations that you feel need to be reviewed by the relevant Directors at both authorities. This may include changes to processes or potential supplement increases (if applicable) if it is felt that partnership is working well.

1.	Officers to return to designated roles as part of a multi-disciplinary service rather than multi-disciplinary officers
2.	Invest in additional resource in the form of a second intelligence Analyst (fixed term contract) to deal with the increased data matching.
3.	