

**Classification:** Public

**Key Decision:** No

## **Gravesham Borough Council**

**Report to:** Performance & Administration Cabinet Committee

**Date:** 09 February 2022

**Reporting officer:** James Larkin, Head of Internal Audit & Counter Fraud Shared Service (Chief Audit Executive)

**Subject:** Internal Audit & Counter Fraud Shared Service Objectives

### **Purpose and summary of report:**

To provide Members of the Performance & Administration Committee with details of the updated objectives linked to the continuing shared service arrangements with Medway Council.

### **Recommendations:**

1. Members approve the amended objectives for the shared service arrangement.

## **1. Introduction**

- 1.1 Since December 2015, the council has had in place a shared service with Medway Council for the delivery of the Internal Audit & Counter Fraud service. This involved the transfer of all Gravesham Borough Council (GBC) staff who were employed within Internal Audit and Fraud at GBC to Medway Council.
- 1.2 The shared service arrangements are subject to an annual review in June/July each year, the most recent of which took place in July 2021 and was reported to the Performance & Administration Committee in September 2021.
- 1.3 The annual review identified that a number of the five original objectives for the shared working arrangements were no longer relevant or key to determining the success of the service moving forward and a commitment was made to review and update these objectives.
- 1.4 This report provides Members with details of the new objectives that will be used to measure the success and viability of the shared working arrangements as part of the next annual review in June/July 2022. It will also provide more details around how the delivery of an effective counter fraud service will be measured.

## 2. Shared Service Objectives

2.1 The main driver for the shared working arrangements between Gravesham Borough Council and Medway Council was the changes to the delivery of fraud service brought about from the introduction of the Single Fraud Investigation Service (SFIS). Accordingly, the original objectives were set as measures to determine whether moving to a shared service had appropriately addressed the changes to delivery of counter fraud services and achieved financial savings in line with the cuts to government funding.

2.2 The original service objectives were to:

1	Deliver the statutory internal audit function
2	Deliver an effective counter fraud and investigation service.
3	Provide a Single Point of Contact (SPOC) for the Department for Works and Pensions (DWP) for their investigation of Housing Benefit Fraud.
4	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).
5	Provide increased resilience and flexibility to meet the needs of both councils.

2.3 Objective 3: Provision of SPOC services now form part of normal business for the shared service in line with the service level agreements between each council and the DWP. It is not connected to any council objectives and is not linked to the success of the shared working arrangements.

2.4 Objective 4: Reductions in service costs equivalent to the reduction in funding from DWP were achieved with the move to the shared working arrangements. Although the cost of the service has increased annually in line with changes to salaries, analysis has been undertaken to apply the same increases to the original service budgets prior to the shared service and has shown that the savings are still being achieved.

2.5 Objective 5: Both councils have benefited from increased resilience and flexibility as a consequence of the shared working arrangements. Any loss of resource due to sickness or post vacancies is shared between the two authorities to limit the impact and there are monitoring processes in place to ensure that neither council benefits at the expense of the other. The flexibility of the service was also demonstrated throughout the pandemic with Internal Audit & Counter Fraud staff redeployed to assist critical services, while still being able to deliver a proportion of 'business as usual' to each council.

2.6 Objectives three to five are not felt to be an effective measure of continuing performance in relation to the shared working arrangements and it is therefore suggested that these objectives are now removed. Objectives one and two will remain as the key measures of the effectiveness of the shared working arrangements.

- 2.7 The question of what determines the effectiveness of the counter fraud function was raised by the Chief Finance Officer at Medway Council as part of the annual review process and a commitment was made to conduct research on what performance information other council fraud services reported and the provide more clarity to this area.
- 2.8 After completing this research, it has been determined that there are number of factors that attribute to the delivery of an effective counter fraud function, these being:
- **Total financial savings:** The service already reports details of the financial savings associated with its work.
  - **Number of cases investigated:** These figures are reported to the Finance & Audit Committee but are not reported as part of the annual review.
  - **Number of sanctions imposed:** These figures are reported to the Finance & Audit Committee but are not reported as part of the annual review
  - **Social value and council reputation:** Some activity, such as the investigation of tenancy fraud, is measured through notional financial savings associated with the recovery of council properties but it has social value as those properties can be allocated to those in need. Investigation of potentially false school admissions (applicable to Medway Council only) does not represent any financial saving to the authority but has significant social value and reputational value for the council.
  - **Value for money:** While the service has always reported its financial savings, it has never formally compared these against its resource costs. In addition, not all counter fraud activity can be translated into 'money in the bank'. It is not possible to measure the financial impact of fraud prevention as there is no way to measure something that hasn't happened; however, fraud awareness provides value in potentially leading to fraud being reported/identified sooner and therefore reducing losses. Pro-active campaigns, while designed to identify fraud, can also provide additional assurance in areas where limited cases are identified, which can be relied upon by internal audit and allow their resources to be used elsewhere.
- 2.9 All of these factors will be considered when assessing the performance of the shared service against the objective to deliver an effective counter fraud function at the next annual review, with relevant information provided to demonstrate the performance.

### 3. BACKGROUND PAPERS

- 3.1 Background papers pertaining to this report are as follows:
- *"Proposed development of a fully shared Internal Audit and Fraud Service with Medway Council"* – report to Cabinet – 07 September 2015
  - *"Working in Partnership Framework – June 2021"* – report to Full Council – 22 June 2021

Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

**IMPLICATIONS**

**APPENDIX 1**

<p><b>Legal</b></p>	<p>The Accounts &amp; Audit Regulations 2011 require a relevant body to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” Proper practice has been defined as that contained within the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note to the Public Sector Internal Audit Standards.</p> <p>The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.</p> <p>Section 151 of the Local Government Act 1972 requires the council to “make arrangements for the proper administration of their financial affairs”.</p> <p>Finally, the shared service arrangement has been established with due regard to Section 113 of the Local Government Act 1972, which allows a local authority to place any of its officers, who consent to the arrangement, at the disposal of another local authority on such terms as may be agreed between the parties.</p>
<p><b>Finance and Value for Money</b></p>	<p>In respect of the 2021/22 financial year, the payment to Medway Council for the provision of Audit and Counter Fraud services is budgeted as £215,980 which is an increase in the sum paid in the previous financial year (£208,824 in 2020-21).</p>
<p><b>Risk Assessment</b></p>	<p>The risks associated with this arrangement are considered to be ‘low’ at this time. The annual review and the annual performance report has shown that the service is meeting and, in some cases, exceeding its objectives.</p>
<p><b>Data Protection Impact Assessment</b></p>	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>? N/A</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>. N/A</p>
<p><b>Equality Impact Assessment</b></p>	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p>

IMPLICATIONS	APPENDIX 1
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>No</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
<b>Corporate Plan</b>	<p>The work of the Audit &amp; Counter Fraud team contributes to the overall internal control and governance arrangements of the council, therefore supporting all of the objectives set out within the Corporate Plan.</p> <p>Specifically, the delivery of a shared service contributes to objective #3 – Progress.</p>
<b>Climate Change</b>	<p>There are no climate change implications resulting from this report.</p>
<b>Crime and Disorder</b>	<p>Internal Audit provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisations' objectives. The work of Internal Audit combined with a sound internal control environment has a positive contribution to community safety in its broadest sense.</p> <p>The counter fraud arrangements of the council acknowledge that the council can be exposed to fraud and are intended to, as far as possible, prevent fraud occurring and pursue criminal action if needed when fraud is detected. Working with partners to combat crime and disorder has a positive contribution to community safety in its broadest sense.</p>
<b>Digital and website implications</b>	<p>There are no digital or website implications resulting from this report.</p>
<b>Safeguarding children and vulnerable adults</b>	<p>There are no safeguarding implications resulting from this report.</p>