



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

Shared service commenced: **December 2015**

Author: **Sarah Parfitt, Director (Corporate Services) at Gravesham Borough Council and Phil Watts, Chief Operations Officer at Medway Council**

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Overview of the shared service arrangement:

A summary of the structure of the shared service and the services provided. Include any details of changes that have taken place with regards to the shared service in the past 12 months.

The Internal Audit & Counter Fraud Shared Service was established in December 2015, with a Shared Service Agreement setting out the basis for splitting the available resources between the two councils as approximately 64% for Medway and 36% for Gravesham.

The main driver behind this arrangement was to respond to cuts in government funding associated with the creation of the Single Fraud Investigation Service (SFIS) within the Department for Work and Pensions (DWP) and ensure that there was resource available to meet the requirements of the associated SLAs for local authorities to provide housing benefit related information to SFIS officers investigating housing benefit claims.

These objectives were achieved with the creation of the service delivering savings to both Medway and Gravesham in excess of the funding cuts and the service continually exceeding the minimum requirements under the SLA's.

The service has always had an establishment of 14 officers and at the start of 2021-22, the shared service was made up of the Head of Internal Audit & Counter Fraud, two Internal Audit Team Leaders, six Internal Auditors (5.78FTE), one Counter Fraud Team Leader, two Counter Fraud Officers (1.86FTE), one Audit & Counter Fraud Intelligence Analyst and one Audit & Counter Fraud Assistant.

Resignations from three officers in year resulted in changes to the structure of the service, which now comprises of the Head of Internal Audit & Counter Fraud, one Internal Audit

Manager, one Senior Internal Auditor, six Internal Auditors (5.78FTE) (one post currently vacant), one Counter Fraud Manager, two Counter Fraud Officers, and two Counter Fraud Intelligence Analysts (1.86FTE).

The functions of the service are now delivered by two distinct teams, with all resources split between Gravesham and Medway as per the agreements.

In February 2022, it was agreed following a review that the core objectives for the shared working arrangements would be streamlined to remove a number of objectives that were no longer relevant. The two remaining objectives relate to delivery of effective services.

Progress against objectives:

	Objective	Update
1	Deliver the statutory internal audit function	<p>During 2021-22 the internal audit team experienced a number of staffing vacancies and changes, most notably at a senior level with an absence and then vacancy for a team leader. The periods of vacancy resulted in a reduction in the volume of assurance work that could be delivered in year with 90% plan completion achieved at both authorities against targets of 95%.</p> <p>For Gravesham, this represented one review not reaching quality control in time and two for Medway. However, sufficient work was completed to enable the Head of Internal Audit & Counter Fraud, in their role of Chief Audit Executive to provide, an opinion on the control environment of each authority as required at the end of the financial year.</p> <p>Fieldwork on remaining reviews was finished during Q1 of 2022-23 and the team have been working with clients to finalise all outstanding reports.</p> <p>The annual survey showed positive satisfaction with services received at both authorities.</p> <p>A new approach to audit planning has been introduced from April 2022 in an effort to make the service more responsive to changing priorities and risks. The respective Audit Committees agreed workplans for Q1-Q2 of 2022-23, with a review of the audit risk assessment taking place in July 2022 to inform the plan for Q3-Q4. This should ensure that the work of internal audit continues to focus on the highest risk areas.</p> <p>A further vacancy is impacting on service delivery and attempts to recruit have so far been unsuccessful. This is a known problem across the County, with a number of authorities struggling to recruit.</p>
2	Deliver an effective counter fraud and investigation service.	<p>Changes throughout 2021-22 effectively led to the team being rebuilt, with a number of new staff and changes within roles for existing officers. The two investigators are both new and are now undertaking the counter fraud apprenticeship</p>

	<p>with CIPFA. One of the previous investigators stepped into the role of Intelligence Analyst and a second Analyst was recruited. New fraud management software was also procured during the year to replace the outdated system and reflect the broader area of work being undertaken across the council.</p> <p>Despite all the changes, which impacted on resource in year, the team identified circa £1.3m in savings across the partnership, which is the highest since the shared service commenced, and the efforts of one of the investigators was recognised with a national award for Apprentice of the Year at the annual Counter Fraud Awards.</p> <p>The annual surveys at both councils showed that the satisfaction with services received from the team was high, although awareness of the services available has been identified as a weak area and is something that is being addressed as part of ongoing work.</p>
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Key Performance Measures:

		Target 2021-22	Outturn 2021-22
1	Proportion of agreed assurance assignments delivered (plan completion)	95%	Gravesham 90% Medway 90%
2	Proportion of actions agreed by client management	90%	Gravesham 100% Medway 100%
3	Proportion of recommended actions implemented by agreed date	N/A (Outside of service control)	Gravesham 70% Medway 72%
4	Value of fraud losses identified	N/A	Gravesham £473,843 Medway £898,489

Update against recommendations identified in previous year review:

	Objective	Update
1	Review and reset service objectives as current objectives three and four are no longer relevant.	The core objectives of the shared working arrangements were reviewed, and it was agreed that three of the original objectives were no longer relevant. These objectives were removed, with the core objectives for delivery of the statutory audit

		function and an effective counter fraud service remaining.
2	Review what determines the effectiveness of the counter fraud function to establish a basis for better assessment against the objective.	<p>A new standalone counter fraud plan has been developed for 2022-23, split into fraud awareness and prevention, pro-active, responsive investigation, and other counter fraud activity.</p> <p>Financial savings remain the main measure for results, however the expanded plan for all counter fraud activity means that there is more reporting on the overall activity of the team, rather than just the results of investigations.</p> <p>Measuring the effectiveness of fraud prevention for example is difficult as we cannot measure something that has not happened but providing more information about where the activity has taken place does go some way to demonstrating the effectiveness of the team.</p> <p>Performance measures now include a breakdown of where resources have been used during the year, the number of investigations completed and savings to provide a much more rounded picture of effectiveness.</p>
3	Analysis of the benefits being brought to the service by investment in professional training.	<p>Use of the apprenticeship levy is enabling staff to undertake professional qualifications related to their roles in both internal audit & counter fraud and at present we have two internal auditors and two counter fraud officers undertaking apprenticeships.</p> <p>Those undertaking the internal audit apprenticeship have stated that they not only have a greater understanding of their duties but also their role within the organisation. The learning is being applied in practice and is showing improvements in quality and speed of work.</p> <p>One of those undertaking the internal audit apprenticeship has now taken the senior internal auditor role and has enabled us to streamline the management of the internal audit team, providing a more efficient process and also creating a career path within the team.</p> <p>The two counter fraud officers are undertaking the counter fraud apprenticeship with CIPFA and are both doing extremely well, one having won a national award for apprentice of the year. Both have limited experience in counter fraud, so the training is of great benefit and is helping them develop their skills at a much faster pace. This is demonstrated by the complexity of cases they are now dealing with and their ability to deliver awareness training to various</p>

		<p>services, which is something that has not been done for some time.</p> <p>In both disciplines, those undertaking apprenticeships are complimenting classroom learning with 'on the job' learning, while also learning from senior colleagues who can give the benefit of their years of experience. They are also sharing their learning and knowledge of newer techniques and advancements with colleagues, providing an overall benefit to the service that is leading to other efficiencies and improvements.</p>
<p>4</p>	<p>Review performance data to establish whether the introduction of an additional Counter Fraud Intelligence Analyst has led to service improvements</p>	<p>A second intelligence analyst post was introduced and filled with effect from September 2021, as part of a cost neutral change to the available resources within the counter fraud team.</p> <p>The changes have enabled a reshuffling of some of the duties being undertaken, meaning that the intelligence officers have been able to focus on activity relating to the National Fraud Initiative (NFI) at both councils, while also dealing with the administrative SPOC tasks, without the need for assistance from the investigators.</p> <p>As a consequence, NFI matches are the most up to date they have ever been, with the possibility that all matches may be dealt with before the next exercise results are received, with the exception of any ongoing more long-term investigations, including assisting with matches that would usually have been reviewed by other services.</p> <p>The change in the use of resource has led to an increased level of intelligence work, which is leading to efficiencies in the investigation process. Referrals can be more fully assessed, and decisions made as to whether an investigation is necessary. Desktop investigation can be undertaken at a much earlier stage, improving the quality of cases that are subsequently allocated to counter fraud officers for more in-depth investigation.</p> <p>These changes ensure that the limited resource is targeted to the most suitable cases and counter fraud officers have also been able to commence other counter fraud activity, including development and delivery of fraud awareness training across both councils. These are areas of work that have been extremely limited in previous years and were a key area identified in the survey results.</p> <p>The efficiencies and improvements that have come from these changes are demonstrated by the outturns for 2021-22, which show fraud savings across the</p>

	partnership of circa £1.3m, which is the highest annual figure since the shared service was launched.
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Recommendations/Service Improvements for the coming year:

1	Seek improvements in quality control process to meet target timeframe of four weeks for completion of quality reviews.
2	Achieve a positive outcome from the External Quality Assessment with at least 90% compliance with PSIAS.
3	Increase awareness of available counter fraud services across both councils

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