



**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**

**Review Date: July 2023**

**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, officially launching 1 March 2016, 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 service has always had an establishment of 14 officers and since 2021-22 has been delivered by two distinct teams. At the start of 2022-23, these teams were made up of the following;

**Internal Audit:** Head of Internal Audit & Counter Fraud (0.65FTE), one Internal Audit Manager, one Senior Internal Auditor, six Internal Auditors (5.78FTE)

The resignation of one internal auditor resulted in a decision to recruit an apprentice, who joined the service in November 2022. This was following three recruitment exercises (two failed) and a vacancy period of approximately six months.

The internal audit & counter fraud teams were included in the pilot phase of a fundamental pay review across Medway Council, which also included the introduction of competency frameworks to aid career progression. As part of this process, the Senior Internal Auditor role was renamed 'Principal Internal Auditor'.

**Counter Fraud:** Head of Internal Audit & Counter Fraud (0.35FTE), one Counter Fraud Manager, two Counter Fraud Officers, and two Counter Fraud Intelligence Analysts (1.86FTE).

In January 2023, Medway took the decision to increase the level of counter fraud resource with the introduction of two additional investigators, who were in post from April 2023. As Gravesham did not require this additional resource, the split of between the two councils has been adjusted for counter fraud only and is now approximately 75% for Medway and 25% for Gravesham. Steps have also been added to the financial monitoring to ensure that Gravesham is not bearing any of the costs for the additional resource.

### **Medpay Review**

As mentioned, the service (excluding the Head of Internal Audit & Counter Fraud) was included in the pilot phase of a pay review at Medway Council. Unlike Gravesham, Medway Council have opted out of the National Joint Council (NJC) for Local Government Services for collective arrangements relating to pay, instead setting in place a local pay structure, known as MedPay, to determine staff pay levels based on performance. Cost of Living awards are also currently paid (average of £1,000 pa in recent years).

In February 2020 Medway Council agreed that that a review of MedPay should be conducted. Following a number of delays to bringing this forward, in August 2022 the Employment Matters Committee at Medway Council agreed the principles of a new approach to the review, recognising increasing challenges in staff recruitment and retention and in staff achieving progression within the current pay structure as a means of trying to address a number of recruitment and retention issues.

The review approach focuses on two distinct elements:

- The Market Allowance Framework – defining pay range(s) and flexible allowance guidance for critical roles where recruitment challenges exist.
- The Progression Framework – enabling each role to be assessed against competency levels (A, B & C) within an overall competency framework for the service team/profession, accompanied by a Professional Career Framework document for the service.

As part of the review process, all job descriptions were updated to ensure they accurately reflected the roles being undertaken, with all being subject to evaluation as a consequence and a number of posts increasing in range.

Each individual was also assessed against the new competency framework and pay level within range determined.

The net impact of all these changes, including the additional two officers, is an overall increase to salaries of approximately £56,027 which based upon the contractual splits will mean an increase of approximately £39,749 for Medway and approximately £16,278 for Gravesham.

Gravesham have completed a value for money assessment and concluded that the service continues to perform at a good standard and, after taking account of the Medpay review, will continue to be provided at a lower cost when compared to what would have been the cost of service if this had continued to be provided in-house. Based on this assessment it was recommended to Management Team that the council accept the outcome of the MedPay Review and make the necessary adjustments to its budget.

## Progress against objectives:

	Objective	Update
1	Deliver the statutory internal audit function	<p>A new approach to audit planning was 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 plans for Q3-Q4, which were subsequently agreed at the September meetings.</p> <p>However, as reported in 2022, there was significant impact on resources. The resignation of an internal auditor and two failed attempts to recruit an apprentice before finding a suitable candidate via a third advertisement, resulted in a vacancy period of six months, which significantly impacted on the resources projected to be available at the start of the year.</p> <p>Consequently, this meant a reduction in the volume of assurance work that could be delivered in year, with 83% plan completion achieved for Gravesham and 84% plan completion achieved for Medway as of 31 March 2023, against targets of 95%.</p> <p>Fieldwork connected to the remaining reviews was completed during Q1 of 2023-24, enabling the Head of Internal Audit &amp; Counter Fraud, in their role of Chief Audit Executive to provide, to provide an opinion on the control environment of each authority, however for Gravesham this was based on a limited scope.</p> <p>The service was subject to its External Quality Assessment (EQA), which assesses compliance with the Public Sector Internal Audit Standards (PSIAS) and must be undertaken every five years. A positive outcome was achieved in the form of <b>Green</b> opinion, although a number of recommendations for improvement were made. These recommendations were assessed, and an action plan presented to Members of both Audit Committees alongside the final report.</p> <p>The annual survey showed positive satisfaction with services received at both authorities. Some areas for improvement were noted, such as communication throughout the review process, and these are being discussed at team meetings.</p>
2	Deliver an effective counter fraud and investigation service.	<p>A dedicated annual Counter Fraud Plan was introduced for 2022-23, outlining how the counter fraud resource would be used over the course of the year in four key areas:</p> <ul style="list-style-type: none"> <li>• <b>Fraud Awareness &amp; Prevention</b> <ul style="list-style-type: none"> <li>○ Fraud Risk Assessments</li> <li>○ Fraud Awareness</li> <li>○ Corporate Working Groups</li> <li>○ Corporate Policies</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>• <b>Pro-Active Counter Fraud Activity</b> <ul style="list-style-type: none"> <li>○ National Fraud Initiative (NFI)</li> <li>○ Kent Intelligence Network</li> <li>○ Pro-Active Exercises</li> </ul> </li> <li>• <b>Responsive Investigation Activity</b> <ul style="list-style-type: none"> <li>○ Responsive Investigation Work (External)</li> <li>○ Responsive Investigation Work (Internal)</li> </ul> </li> <li>• <b>Other Counter Fraud Activity</b> <ul style="list-style-type: none"> <li>○ Liaison with DWP</li> <li>○ Responding to Information Requests</li> <li>○ Partnership Liaison</li> </ul> </li> </ul> <p>Work has been undertaken in all four of the key areas, although the level within each subcategory has varied due to operational demands.</p> <p>Following the 2022 satisfaction survey, a lot of effort was put into fraud awareness training. The approach split into two workstreams, with officers from the counter fraud team joining team meetings in other services to engage with those teams, provide an introduction on the role of the counter fraud team and gather information that could be used to create a fraud awareness session tailored to the potential areas of fraud that those officers should be alert to.</p> <p>Despite the significant effort put into this area, the results of the 2023 surveys showed there was still a lack of awareness across both councils, so more work is required during 2023-24. However, the surveys did show positive satisfaction with services received at both councils and a number of compliments were received as well.</p> <p>The new case management system that was implemented in March 2022 has led to improvements in productivity as it now enables us to record more information relating to the broader areas of work being covered, which in turn means there is more information available for management reporting and performance management.</p> <p>The team identified fraud savings in excess of £1m, across the partnership during 2022-23 and work connected to the NFI exercises is now in the most up to date position it has ever been, across all report types, which will enable more focus on our specific areas of pro-active activity tailored to the risks of each council. This will be determined by the outcomes of the fraud risk assessments.</p>
--	--	---

### **Key Performance Measures:**

		<b>Target 2022-23</b>	<b>Outturn 2022-23</b>
<b>1</b>	Proportion of agreed assurance assignments delivered (plan completion)	95%	Gravesham 83%

			Medway 84%
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 85% Medway 88%
4	Value of fraud losses identified	N/A	Gravesham £273,164 Medway £851,998

**Update against recommendations identified in previous year review:**

	Objective	Update
1	Seek improvements in quality control process to meet target timeframe of four weeks.	<p>As mentioned in the 2022 review, there was a backlog of quality control work created by the resignation of a team leader and subsequent vacancy period while a small restructure took place. Which was the main catalyst for delays in quality control reviews. Some progress was made to clear this backlog but the consequence of three recruitment exercises was that it took the internal audit manager away from this work and resulted in the backlog increasing.</p> <p>A significant amount of effort has gone into reducing the backlog in the last six months and we are close to being in an up-to-date position. The focus will then be on maintaining more control over the volume of work and meeting target timescales.</p> <p>As such this remains an area of service improvement in the coming year.</p>
2	Achieve a positive outcome from the External Quality Assessment with at least 90% compliance with PSIAS.	<p>Our January 2023 self- assessment showed full compliance with 97.5% of the standards, partial compliance with a further 2% and work required to address the remaining 0.5%.</p> <p>This shows improvement on our 2019 self- assessment and our 2023 external quality assessment received a <b>Green</b> opinion, with improvements noted since the last assessment in 2018</p>
3	Increase awareness of available counter fraud	<p>Introductory sessions took place with six services/teams at Gravesham and 15 at Medway. This led to fraud awareness sessions with four</p>

	<p>services across both councils</p>	<p>services/teams at Gravesham and seven at Medway. In addition, counter fraud officers spent a week shadowing Housing Officers at Gravesham, joining them on visits and observing their work to gain a better understanding of their role, share fraud prevention advice and provide guidance on what sort of suspicions should be reported to the counter fraud team and when.</p> <p>As mentioned above, the surveys indicate that more work is still required in this areas, so it will remain an ongoing objective for service improvement in 2023-24 and work has already commenced on preparing online videos and webinars to reach more staff.</p>
--	--------------------------------------	--

**Recommendations/Service Improvements for the coming year:**

<p><b>1</b></p>	<p>Seek improvements in quality control process to meet target timeframe of four weeks for completion.</p>
<p><b>2</b></p>	<p>Seek improvements in levels of communication with audit clients, assessing performance via post audit surveys.</p>
<p><b>3</b></p>	<p>Continue to increase awareness of available counter fraud services across both councils.</p>
<p><b>4</b></p>	<p>Complete Fraud Risk Assessments and create fraud risk registers to ensure counter fraud resource is focused on the right areas of activity.</p>