



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, officially launching 1 March 2016, with a Shared Service Agreement setting out the basis for splitting the available resources between the two councils. Internal Audit resource is now approximately 64% of for Medway and 36% for Gravesham, while Counter Fraud Resource is approximately 76% for Medway and 24% for Gravesham following a decision by Medway to increase their counter fraud resource.

The service has an establishment of 16 officers made up of the following;

Internal Audit: Head of Internal Audit & Counter Fraud (0.65FTE), one Internal Audit Manager, one Principal Internal Auditor, five Internal Auditors, and one Trainee Internal Auditor (5.58FTE)

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

Balancing the Budget activity - Gravesham

As part of Gravesham's balancing the budget activity, the percentage of service costs recharged to the HRA budget (approximately 20%-22%) were reviewed. It was identified that a combined resource around 27% from Internal Audit & Counter Fraud dedicated to HRA related work, which includes all internal audit assurance and consultancy activity,

responsive investigations, fraud awareness training, fraud risk assessment, verification of right to buy applications and NFI related activity; we are also working towards the fraud team being involved in the validation of tenancy succession claims. This amendment to the recharges created a £19k reduction in costs to the General Fund.

Management Team also took the decision to redirect some of the existing counter fraud resource, approximately 30%, to the investigation of internal disciplinary and grievance matters to increase the efficiency of those investigations and therefore reduce the amount of time associated with people being on suspension and also reduce the possibility of potential tribunal matters through the use of professionally trained investigators.

This does mean a reduction in the resource available for counter fraud activity, but it will be kept under continuous review to determine whether the approach is delivering the best possible outcomes for the authority.

Progress against objectives:

	Objective	Update
1	Deliver the statutory internal audit function	<p>The respective Audit Committees agree workplans for Q1-Q2 of each year in March, with a review of the audit risk assessment taking place in July to inform the plans for Q3-Q4. The aim of this is to ensure that any changes to resourcing can be addressed, while also ensuring that the internal audit resource is directed to the most appropriate areas of risk.</p> <p>The outturns for 2023-24 were 84% plan delivery for Gravesham and 85% plan delivery for Medway. It is acknowledged that this is short of the 95% target, which is due to a number of factors that could not be predicted when the estimates of available resource were calculated; namely, one internal auditor reducing their working hours half way through the year (after the Q3-Q4 plan was set), an underestimate on the amount of time to be dedicated to professional training for those on apprenticeships as we try to increase the number of professionally qualified staff, and the level of administrative time linked to the Medpay review process.</p> <p>We were still able to deliver annual opinions for both councils based on the work completed, so this did not impact on statutory responsibilities.</p> <p>The annual surveys showed positive satisfaction with services received at both authorities and improvements in many areas, with the team also receiving some compliments.</p> <p>Internal audit resource has been significantly impacted by sickness since April 2024 and we also have a vacancy following the resignation of one internal auditor. As a consequence, an investigator has moved to the internal audit</p>

		<p>team to try and address some of the resource gap while a longer-term solution is identified.</p>
<p>2</p>	<p>Deliver an effective counter fraud and investigation service</p>	<p>A dedicated annual Counter Fraud Plan outlines how the counter fraud resource will be used over the course of the year in four key areas:</p> <ul style="list-style-type: none"> • Fraud Awareness & Prevention <ul style="list-style-type: none"> ○ Fraud Risk Assessments ○ Fraud Awareness ○ Corporate Working Groups • Pro-Active Counter Fraud Activity <ul style="list-style-type: none"> ○ National Fraud Initiative (NFI) ○ Kent Intelligence Network ○ Pro-Active Exercises • Responsive Investigation Activity <ul style="list-style-type: none"> ○ Responsive Investigation Work (External) ○ Responsive Investigation Work (Internal) • Other Counter Fraud Activity <ul style="list-style-type: none"> ○ Liaison with DWP ○ Responding to Information Requests ○ Partnership Liaison <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>Fraud awareness and prevention was a key area of focus in 2023-24, with fraud risk assessments taking place at both councils as well as fraud awareness training. Over 200 staff from across the two councils have attended fraud awareness training sessions delivered via the iShare training platform, and the counter fraud team have also attended a number of team meetings with other services. A fraud risk register has been produced at Gravesham and the Medway fraud risk register will be produced once the last few remaining assessments are finalised.</p> <p>Despite the significant effort put into this area, the results of the 2024 surveys showed there was still a lack of awareness across both councils, however, the number of responses was limited at both councils and very few of those responding had attended the training offered. Disappointingly, the majority of the monthly training sessions that have been running since November 2023 have been cancelled due to lack of sign up.</p> <p>The team identified fraud savings in excess of £650k, across the partnership during 2023-24, which is lower than in 2022-23 but is more than the team costs and is reflective of the level of resource directed to prevention activity.</p> <p>Pro-active work has begun in some areas, and we are looking at wider scale pro-active activity to target areas of high fraud risk as we move forward.</p>

Key Performance Measures:

		Target 2023-24	Outturn 2023-24
1	Proportion of agreed assurance assignments delivered (plan completion)	95%	Gravesham – 84% Medway – 85%
2	Proportion of actions agreed by client management	This is no longer monitored. Previously when we used 'audit recommendations', the number agreed was recorded. We have since moved to agreeing appropriate management actions to address the control weaknesses, which gives the individual service more input and control and is therefore more effective.	
3	Proportion of recommended actions implemented by agreed date	N/A	Gravesham – 79.1% Medway - 80.8%
4	Value of fraud losses identified	N/A	Gravesham – £273,164 Medway - £382,609

Update against recommendations identified in previous year review:

	Objective	Update
1	Seek improvements in quality control process to meet target timeframe of four weeks for completion.	Although we have had some improvement, there is still more to do as we are still exceeding four weeks in a number of reviews. This is partly down to the resourcing issues we have experienced as well as unforeseen impacts associated with the Medpay review that impacted on the time of both the Internal Audit Manager and Head of Internal Audit & Counter Fraud, while career progression frameworks were produced, and subsequent issues addressed. We continue to refine processes and look for ways to shorten the turnaround times for quality control reviews.
2	Seek improvements in levels of communication with audit clients, assessing	Results of post audit surveys have been positive, suggesting that there have been improvements from internal audit with regards to communication with

	performance via post audit surveys.	clients. There is still room for improvement with two-way communication as responses from services are not always timely, which may be down to resource pressures, but on the whole things are working better.
3	Continue to increase awareness of available counter fraud services across both councils.	<p>Fraud awareness sessions have been taking place across both councils, with almost 200 staff across the two having attended the training. Disappointingly, this was not reflected in the annual survey with an apparent decrease in number of people aware of all the team's services, although this may be down to the fact that a large proportion of those responding were not amongst those who had attended the training.</p> <p>We have been making monthly training sessions available to all staff but most have been cancelled due to limited sign up, despite efforts to publicise their availability where possible. At Gravesham, some of this may be linked to the fact that the iShare platform is still a relatively new option for training courses.</p> <p>Service specific sessions have still been taking place at various team meetings within other services, but it will take time to get around all services.</p>
4	Complete Fraud Risk Assessments and create fraud risk registers to ensure counter fraud resource is focused on the right areas of activity.	<p>Fraud risk assessments were completed at Gravesham during 2023-24 and a fraud risk register was presented to the Finance & Audit committee in February 2024.</p> <p>The majority of the fraud risk assessments are now complete at Medway, with only a few remaining, and the fraud risk register is currently being created using this information. We hope to have this completed by the end of the calendar year.</p>

Recommendations/Service Improvements for the coming year:

1	Identify ways to improve resilience within internal audit, including training and succession planning.
2	Explore opportunities for commercial activity within counter fraud to generate additional income and reduce net costs.