

AUDIT COMMITTEE

30 JUNE 2016

AUDIT & COUNTER FRAUD SHARED SERVICE UPDATE

Report from: Katey Arrowsmith, Head of Audit & Counter Fraud
(Chief Audit Executive)

This report provides Members with an update on the implementation of the Audit & Counter Fraud Shared Service for Medway Council and Gravesham Borough Council. The report also provides an update on the transfer of Housing Benefit Fraud work to the Department for Work and Pensions Single Fraud Investigation Service.

1. Budget and Policy Framework

1.1 Council delegates responsibility for the oversight and monitoring of internal audit and counter fraud services to the Audit Committee.

2. Background

2.1. Medway Council and Gravesham Borough Council signed a formal agreement to share their internal audit and counter fraud services on 29 November 2015. The Audit Committee have received updates throughout 2015-16 and this final report provides details of the last phase of the implementation project.

3. Shared service update

3.1. Since the last report to Member on 12 January 2016:

- Consultation with staff on the restructure and proposed new roles closed, some suggested amendments were incorporated into the role profiles, and following this the final structure and role profiles were published on 18 January 2016.
- Staff in post were then invited to submit expressions of interest for roles in the new structure; one member of staff requested voluntary redundancy and this was granted. All other staff expressed an interest in roles in the new structure and following a recruitment process, the 14 positions in the new structure were filled by members of staff within the service. One member of staff was transferred to the DWP SFIS on 1 March 2016.
- Rather than two distinct specialisms, all roles in the new team are multidisciplinary and officers are being trained to deliver both audit and counter-fraud/investigation work.

- The team comprises a Head of A&CF supported by a manager post and two Team Leaders to supervise the delivery of work. This will deliver increased resilience and flexibility to meet the changing demands of both councils.
- The two councils have established a secure link for data via the Kent Public Service Network (KPSN) enabling staff in the Shared Service to access the networks of both councils from either site. Laptops have been provided to staff to enable them to be fully mobile to drive flexibility and efficiency in the service, with banks of flexible desks available at both sites to ensure the team retains a high profile at both councils.
- All Housing Benefit Investigation activity ceased for both councils in February with the existing caseload transferred to the DWP on 1 March. New referrals relating to Housing Benefit fraud raised since that date are directed to the DWP who now have responsibility for investigating these.
- The new shared service formally launched, with staff moving to their new roles on 1 March 2016.
- In March 2016 Members approved the Audit & Counter Fraud Strategy, Charter, work plans for the 2016-17 year and Quality Assurance & Improvement Plan.
- Officers involved in the project to deliver the shared service participated in a post-implementation review in April 2016; this captured best practice and opportunities to improve the process for any future shared service.

4. Next steps

- 4.1. The service is operating as anticipated, with staff settling into new roles and ways of working well and responding to the changes with positivity and enthusiasm. Individual Performance Development Reviews have been carried out and used to identify the specific training and development needs of each individual in the team; a workforce development plan is in place to ensure these needs are met during the coming year. Work is underway on the agreed Audit & Counter Fraud Plan for 2016-17.
- 4.2. From the 2016-17 financial year, Members will receive one quarterly report detailing progress made against the agreed Audit & Counter Fraud Plan; this will detail work across all aspects of the team's activities including internal audit reviews, proactive counter fraud work and responsive investigations carried out. These quarterly reports will also detail performance against the measures detailed in the agreed Quality Assurance & Improvement Programme. The first report in respect of Quarter one of 2016-17 will be presented to the September meeting of the Audit Committee.

5. Risk management

- 5.1 The Audit & Counter Fraud Shared Service contributes to the effective risk management arrangements of the council through the delivery of its agreed work plans. The service maintains its own operational risk register alongside its service plan.

6. Financial implications

- 6.1 The total cost of the Audit & Counter Fraud Shared Service is split between Medway Council and Gravesham Borough Council, proportionate to each

organisation's demands on the team's resources. The total budgeted cost of the service (excluding non-controllable costs which each council agrees to meet separately) for 2016-17 is £570,000 with a contribution of £206,000 from Gravesham Borough Council; equivalent to approximately 36%.

- 6.2 The Shared Service and restructure delivered savings of £155,000 which mitigated the reduction of Benefit Administration Grant that had previously been received for the provision of the Housing Benefit Fraud investigation service.

7. Legal implications

- 7.1 The Shared Service arrangement has been made pursuant 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.
- 7.2 Section 151 of the Local Government Act 1972 requires the council to "make arrangements for the proper administration of their financial affairs". Funding received via a Central Government Administration Grant requires Local Authorities to maintain arrangements to prevent fraud and error in the welfare benefits that they administer.
- 7.3 Further to this, the Accounts & 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.
- 7.4 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.
- 7.5 Section 151 of the Local Government Act 1972 requires the council to "make arrangements for the proper administration of their financial affairs".

8. Recommendations

- 8.1 Members are requested to note the completion of the project and the successful implementation of the shared service for Audit & Counter Fraud. All matters relating to the service will be reported through the routine Audit & Counter Fraud update reports in future.

Lead officer contact

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Appendices: None

Background papers: None