

**AUDIT COMMITTEE**  
**10 JANUARY 2017**  
**AUDIT & COUNTER FRAUD STRATEGY: REVIEW OF  
PROGRESS**

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

**Summary**

This report provides an update on progress against the Audit & Counter Fraud Strategy 2016-2020 made by the team during 2016-17 to date.

**1. Budget and Policy Framework**

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

**2. Background**

- 2.1. The Audit Committee approved the Audit & Counter Fraud Strategy 2016-2020 on 22 March 2016. The Strategy was prepared to set out a clear vision and set of objectives for the development of the Shared Service over its first four years. The Strategy reflects that the formation of the Audit & Counter Fraud Shared Service with Gravesham was not solely driven by the requirement to reduce costs, but also aspired to deliver increased resilience, flexibility and efficiency and ultimately improve the services received by both authorities through shared learning and investment in staff.

**3. Review of progress against the Audit & Counter Fraud Strategy 2016-2020**

- 3.1. The Strategy sets out three strategic objectives:

3.1.1. Aligned priorities: Ensuring the team's work is focussed on the areas of most importance to the organisation, ensuring the results of our work are balanced, pragmatic and emphasise positive findings alongside areas for improvement, and ensuring our performance measurement arrangements are focussed on those areas most valued by the organisation.

3.1.2. Effective staff: Developing the team into a flexible, resilient and multidisciplinary service, providing development opportunities and

supporting professional and skills training to ensure staff are motivated and productive.

- 3.1.3. Positive impact: Building strong, positive working relationships with officers and Members, raising the profile of the service so the team's skills and resources are used to support the organisation in key projects, and producing high quality reports promptly following our work to maximise the positive impact of the work we do.
- 3.2. A review of this strategy and of action carried out to date against these objectives has been carried out. The Strategy is considered to remain appropriate and there are no changes proposed to the objectives.
- 3.3. Good progress is considered to have been made across all three objectives, and this is supported by the positive trends in the team's performance as reported through the Audit & Counter Fraud Update Reports.
- 3.4. Members are provided with details of the actions carried out to date along with those planned for the coming year at Appendix 1.

#### **4. Risk management**

- 4.1. The Public Sector Internal Audit Standards require that: *The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.* The Audit & Counter Fraud Strategy is intended to ensure that the service continues to develop in line with the aspirations of those charged with governance at Medway Council and Gravesham Borough Council.

#### **5. Financial implications**

- 5.1. An adequate and effective Audit & Counter Fraud function provides the council with assurance on the proper, economic, efficient and effective use of resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the council.

#### **6. Legal implications**

- 6.1. The Accounts & Audit Regulations 2015 require local authorities to: *undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.* The Section 151 Officer of a local authority is responsible for establishing the internal audit service. Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council to deliver internal audit services through the Shared Service to both authorities. The Public Sector Internal Audit Standards are supported by CIPFA's Local Government Application Note to the Public Sector Internal Audit Standards.

#### **7. Recommendations**

- 7.1. Members note the progress made by the Audit & Counter Fraud Team towards delivering its strategic objectives during the 2016-17 year to date.

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**Appendices**

Appendix 1 – Audit & Counter Fraud Strategy: Review of Progress.

**Background papers**

None



Audit & Counter Fraud Shared Service  
Medway Council & Gravesham Borough Council

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# Audit & Counter Fraud Strategy 2016-2020

## Review of Progress December 2016

# I. Introduction

The Audit & Counter Fraud Shared Service was established on 1 March 2016 to provide internal audit, counter fraud and investigation services to Medway Council and Gravesham Borough Council. The Audit & Counter Fraud Charter sets out our purpose, authority and responsibilities to deliver these services to both authorities. Our Strategy supports the Charter and provides a framework to ensure our work is aligned to the priorities and values of both Medway and Gravesham councils.

This strategy will be delivered through Annual Internal Audit & Counter Fraud Plans prepared for each authority, setting out the annual programme of work and available resources for each. Our Quality Assurance & Improvement Programme (QAIP) will support the service in embedding a culture of continuous improvement, and help demonstrate the quality and performance of the service to both authorities.

The Chartered Institute of Internal Auditors (CIIA) defines internal auditing as: *an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.* The Audit & Counter Fraud Shared Service combines this role with working alongside the councils to manage their fraud risk, including work to prevent, detect and investigate fraudulent activity committed against the councils.

# II. Our mission & vision

We will adopt the mission statement of internal audit of the Chartered Institute of Internal Audit (CIIA) for all aspects of our work: To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Our vision is to deliver high quality assurance, consultancy and counter fraud work to help ensure the authorities meet their objectives. We will act as a catalyst for driving positive change, promoting improvement, learning & innovation so that we can truly add value. By investing in our staff and working to raise our profile, we aim to become the default respected advisor and critical friend at the heart of Medway Council and Gravesham Borough Council.

### III. Our strategic objectives & progress to date

We have three core strategic objectives for the first four years of the Shared Service to drive us towards achieving our mission & vision:

Objective	Progress in 2016-17 to date
<b>Aligned priorities</b>	
<p>Our strategies &amp; work plans will be developed and reviewed in consultation with key clients to ensure they are closely aligned to the core objectives and risks of the authorities.</p>	<p>The process to develop the Audit &amp; Counter Fraud Plans for both councils in the shared service for 2017-18 is underway and is based on the organisation's priorities and risk assessments and will include consultation with key clients. The process includes:</p> <ul style="list-style-type: none"> <li>• Review of the strategies and plans of the organisations;</li> <li>• Review of the risk management arrangements and risk registers of the organisations;</li> <li>• Review of the budgets and financial monitoring / outturns of both organisations;</li> <li>• Assurance mapping to rely on the work of other providers of assurance to the organisations, to avoid duplication of work;</li> <li>• A horizon scanning exercise to identify any significant legislative or other external risks;</li> <li>• Preparation of detailed risk assessments to determine the areas where assurance is required;</li> <li>• Discussion of those risk assessments with the senior management of the organisations to validate the areas of focus for Audit &amp; Counter Fraud resources;</li> <li>• Presentation of the draft plans to the senior management and Audit Committees of both authorities for endorsement and approval.</li> </ul>
<p>Our work will be scheduled and the scope defined in consultation with key clients to ensure we focus on the right areas.</p>	<p>The scope of all assurance and consultancy engagements the team carry out is now developed in consultation with the key client to ensure we focus on the right risk areas.</p>

<p>We will take a balanced and pragmatic approach to our work and our reports will emphasise positive findings alongside areas for improvement.</p>	<p>Significant efforts have been made during the year to instil a culture of positivity and pragmatism in the delivery of the team’s work, with specific actions including:</p> <ul style="list-style-type: none"> <li>• Keeping the team up to date with corporate news and encouraging them to discuss their work amongst the team to enable them to put their findings into perspective.</li> <li>• Encouraging the team members to meet with clients or telephone rather than emailing so that they develop a better understanding of the workload and issues their clients manage.</li> <li>• Inviting other services along to present to our Team Meetings to improve the team’s awareness of wider issues.</li> </ul> <p>We have introduced revised document templates for our key communications with clients including reports; these new templates encourage officers to report on positive findings and focus on actions for improvement while still highlighting any issues found.</p> <p>We have introduced arrangements to follow up on recommendations agreed with client management through our work; we report the outcomes of this follow up work through the Audit &amp; Counter Fraud Update Reports to Audit Committee; this ensures that positive action taken by management to address any weaknesses identified by our work is highlighted to Members and provides assurance that management are strengthening the council’s control environment as a result of our work.</p>
<p>Our performance measurement and monitoring arrangements will be focussed on the aspects of the service most valued by senior management and the Audit Committees of the both authorities.</p>	<p>Our performance measurement and monitoring arrangements have been formally defined in the Quality Assurance &amp; Improvement Programme that has been endorsed by senior management and the Audit Committee.</p> <p>We have re-designed the client feedback survey in place at Gravesham for use at both authorities; feedback received will be used to inform the planning process and the delivery of future work.</p>
<p><b>Effective staff</b></p>	
<p>We will develop our team into a multidisciplinary service, delivering increased flexibility to meet the changing needs of the organisations, resilience and succession planning, and development opportunities</p>	<p>The new shared service has moved the team members into multidisciplinary roles with all staff being responsible for delivering both audit work and counter fraud work over time. The first year of the shared service is being used to introduce staff to the disciplines that are new to them, with learning and development needs and</p>



<p>for staff.</p>	<p>objectives agreed through the Performance Development Review (appraisal) process, and delivered through a mixture of formal qualification training, formal skills training, job-shadowing/mentoring and 'on the job' training.</p> <p>All team members have an objective in their Performance Development Reviews to: Take a positive and proactive approach to developing skills in both audit and counter-fraud to become multidisciplinary and to assist other members of the team to develop their skills in the discipline in which they are experienced. Mid-year reviews found that all staff in the team had taken action to meet this objective.</p>
<p>We will employ and develop a strong mix of people with different skills, technical expertise and we will match those people to the work plans to make the best use of our staff.</p>	<p>During the first year of the shared service, we have worked to integrate four separate teams from two distinct specialisms into one cohesive team and as such we have primarily focussed on supporting staff to become competent in their second discipline. We have however sought to use the specialist skills within the team as champions within the team, helping others to develop competency in those skills:</p> <ul style="list-style-type: none"> <li>• Two members of the team with specialist skills and experience in data analysis are leading on the introduction and training of the team on the new version of the Auditware data analysis software.</li> <li>• Four members of the team with significant experience of conducting investigation interviews have lead an interactive training workshop for other members of staff to develop these skills.</li> </ul> <p>Once the Audit &amp; Counter Fraud Plans for 2017-18 have been approved, the work will be allocated to the officers in the team based on their skills and experience to deliver the work, but will also allocate work to stretch them and give experience in areas less familiar.</p>
<p>We are committed to investing in staff development through training and other opportunities and will support professional qualification training and continuing professional development across the service.</p>	<p>During the year all team members have agreed personal learning and development objectives through the council's Personal Development Review process, and all staff are encouraged and supported to do professional qualification training and to attend non-professional training and development as identified through their one to ones. In addition the team has bi-monthly team away days that focus on sharing knowledge and skills and training is delivered by team members to the rest of the team at every meeting. A total of 106 days has been spent on training and development in the 2016-17 year to date, including five of the team members currently studying for professional qualifications.</p>

<p>We will be a great place to work with a motivated, productive and aspirational workforce.</p>	<p>A 360 degree feedback exercise is planned for 2017-18 to enable staff to reflect on their role in the team and to inform their development; this exercise will also be an opportunity to identify any opportunities to improve working relationships and the work environment.</p> <p>In the past 12 months, the team members have been through a restructure and have all moved to new roles in which a significant proportion of their time is spent working in a discipline with which they had no prior experience. Despite the challenges, the 14 members of staff appointed at the launch all remain in post and all continue to respond positively to their new roles.</p> <p>Feedback from both team members and from clients has indicated that while staff are finding their new roles challenging, they are happier with the working environment and the team culture than they were in the previous separate teams; this is having a demonstrable positive impact on the team's relationships with clients and has in turn resulted in more positive responses from clients to our work and findings.</p>
<p><b>Positive impact</b></p>	
<p>We will build strong, positive professional relationships with key clients and Members across both authorities and engage them in the development of our strategies and work plans.</p>	<p>We have worked to shift the default behaviour of our team to meeting clients in person wherever possible, rather than telephone or email communications. This has enabled staff to develop relationships with a significantly broader range of clients than they have had in the past. The team are working with their clients to help shape the scope of the work we do, to maximise the benefits to the service being reviewed.</p> <p>All team members have an objective in their Performance Development Reviews to: Contribute to the raising of the profile/impact of the team; by being proactive in building good working relationships with clients, achieving positive customer feedback / satisfaction scores where applicable and being a positive ambassador for the team and the services we can provide to the councils.</p> <p>We have nominated champions within the team for each of the services considered most vulnerable to fraud; these champions have worked closely with those teams to help improve their resilience to fraud, and to provide a key point of contact within our team for any referrals to investigate so that we can provide a knowledgeable and consistent service.</p>

<p>We will raise the profile of the work of the service to ensure senior management and Members are aware of the responsive consultancy and investigation services we can provide.</p>	<p>We have worked to increase the team’s visibility during the year through attendance at and presentations to a variety of meetings and working groups, including Service Managers, departmental team meetings and specific project groups.</p> <p>We have formalised the reporting of results of our investigation work; now providing management with reports outlining the results and recommendations to reduce the risk of reoccurrence.</p> <p>The team’s outputs are reported to senior management and Members through the new Audit &amp; Counter Fraud Update reports; the contents, format and level of detail provided has been developed in consultation with Members and will be continuously enhanced based on feedback received.</p>
<p>We will seek to be involved in key projects and working groups at both authorities to provide assistance on governance, risk and control and also to promote our work and the services we can provide to a wider audience.</p>	<p>Representatives from the team are now involved in a variety of projects and working groups at both councils including for Medway the Transformation Delivery Group, the Security Information Governance Group, and on a range of smaller projects and changes across the council.</p> <p>The team has seen a significant increase in the number of requests for consultancy services during the year, and on the number of referrals for corporate fraud investigations, demonstrating a much better awareness of the availability of the team’s skills and resources across the council.</p>
<p>We will share our outputs promptly with clients and Audit Committees through high quality reports to maximise the positive impact of our work.</p>	<p>Arrangements have been introduced to monitor the timeliness with which the work of the team is completed and reported to clients; the team are continuously working to enhance its procedures to eliminate admin delays as far as possible.</p> <p>New templates consistent across both councils in the shared service have been introduced for reporting work to clients; these have been based on feedback from officers and have been positively received by management. We have supported the team members to develop their report writing skills though a mixture of formal training and coaching through the quality review process and have seen marked improvements in the quality of the team’s outputs as a result.</p> <p>New templates consistent across both councils have been introduced for reporting the results of Audit &amp; Counter Fraud work to the Audit Committees; these were based on Member feedback and have been positively received however we will continue to work with Members to enhance the information and presentation of these as required.</p>

