
Audit & Counter Fraud Quality Assurance & Improvement Programme 2020-21

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|------|--|---|
| I. | INTRODUCTION | 3 |
| II. | SUPERVISION & QUALITY MANAGEMENT..... | 3 |
| III. | INTERNAL ASSESSMENTS | 4 |
| IV. | EXTERNAL ASSESSMENTS | 4 |
| V. | PERFORMANCE MEASUREMENT & MONITORING | 4 |
| VI. | REPORTING | 7 |

I. Introduction

The Audit & Counter Fraud Shared Service Charter sets out that the delivery of internal audit services will be in line with the Public Sector Internal Audit Standards (the Standards), with the delivery of counter-fraud and investigation services in line with relevant legislation and best practice. The Standards require the Service to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity: A QAIP is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Standards require the QAIP to include both internal and external assessments.

This QAIP is intended to cover the Audit & Counter Fraud Shared Service for both the delivery of internal audit and counter fraud work wherever appropriate and to drive continuous improvement in the delivery of the service as a whole. For the purposes of the Public Sector Internal Audit Standards (PSIAS) the board is defined as the Audit Committee for Medway Council and the Finance & Audit Committee for Gravesham Borough Council. Senior Management is defined as the Corporate Management Team for Medway Council and the Management Team for Gravesham Borough Council.

II. Supervision & quality management

The Audit & Counter Fraud Service is structured to ensure that all officers are appropriately supervised and supported to deliver their work. Robust quality control arrangements are built into every stage of the process of planning and conducting audit and counter fraud work to ensure that the service delivers consistent and high quality outputs to both authorities:

- The Audit & Counter Fraud Shared Service works to an agreed process, developed in consultation with officers that includes the best elements from the previously separate teams. This process is delivered through standard template documents and is supported by a procedure manual. The process, templates and manual are all subject to periodic review.
- Routine supervision checks and one to ones are in place to support officers in the planning and delivery of all work. The 'matrix' structure of the service ensures that officers working at either site have a member of Audit & Counter Fraud management team on hand to provide ad-hoc support and supervision.
- Quality control arrangements are in place for the supervising officer to review and sign off the Terms of Reference of each piece of work prior to issue to the client, and for agreement of the programme of work to be completed in advance of the fieldwork beginning.
- Following the completion of each audit or counter-fraud review, the officer conducting the review carries out a self-assessment against the Standards based on a checklist developed for this purpose.
- Each completed audit or counter-fraud review has a detailed quality control review conducted by the senior officer responsible for supervising the review. This review seeks to confirm that:
 - The objectives and scope of the review have been met,
 - The right risks and controls (including those absent) have been identified,
 - Audit testing methodologies and samples are sufficient to reach reasonable conclusions,
 - Sufficient evidence has been collated to support the conclusions drawn, and conclusions drawn are soundly based,
 - Recommendations made are practical and address the weaknesses identified,

- No independence issues have arisen from the work carried out,
- Work completed is in compliance with the Standards,
- Agreed review budgets and timescales have been met.
- All final reports are reviewed by the Head of Audit & Counter Fraud prior to issue to the client.
- Ten percent of all audit and counter fraud reviews completed are subject to an additional quality control review by a member of the Audit & Counter Fraud management team, independent of the conduct of the initial quality review conducted. This review ensures consistency among the reviewers and these checks may be directed to the most complex or potentially contentious areas of work.

III. Internal assessments

On an annual basis, the Audit & Counter Fraud management team conducts a self-assessment of the compliance of the service with the Chartered Institute of Internal Audit (CIIA) definition of internal auditing, code of ethics and the Standards. Any areas of non-compliance are identified and a plan for addressing these is implemented.

Results of the Internal Assessment will be shared with the wider Audit & Counter Fraud Team and reported to senior management and the Audit Committees of both authorities.

IV. External assessments

The Standards require an external assessment to be carried out at least once every five years by a qualified assessor or assessment team from outside the organisation. This assessor should be independent to avoid any conflict of interest. The scope of this assessment will be agreed with the Section 151 Officers of both authorities as sponsors of the Shared Service.

The Chartered Institute for Internal Auditors (CIIA) have developed a QAIP Procedure and Evaluation document that will be used in advance of the external assessment to prepare the management team for the assessment process and results.

The Audit & Counter Fraud Shared Service **was subject to its first review in February 2018. proposes to schedule its first external assessment in the financial year 2017-18 to enable the service to establish and refine working practices and procedures in advance. The approach, including who will conduct this external assessment, will be agreed by the Head of Audit & Counter Fraud, S151 Officers and Audit Committees of both authorities. As the counter fraud function sits under the responsibilities of the Chief Audit Executive, any audit of the counter fraud service will be conducted by an independent body. The first of these audits was undertaken by Tonbridge & Malling Borough Council in 2018-19. The results of both assessments were shared with the S151 Officers and Audit Committees of both authorities.**

V. Performance measurement & monitoring

The Audit & Counter Fraud Shared Service has arrangements in place to capture performance data across the delivery of all aspects of work. Performance measurement is based on the balanced scorecard approach to ensure all aspects of the team's activities are monitored and reported appropriately, covering four perspectives:

- Financial – measuring the cost of the service,
- Internal process – measuring how the service is delivered,
- Learning & growth – measuring how the service supports and develops staff,
- Customer – measuring customer engagement & satisfaction.

The service measures, monitors and reports against the performance indicators set out in the table on page 6 through the quarterly Audit Committee Update reports.

It is not appropriate to set targets for some indicators listed as the returns against these will be for information only and the service has no or limited control over the results, for instance the number of fraud referrals received by the team.

| Ref | Indicator | Target | Frequency |
|---|---|---------|-----------|
| Non LA Specific Performance Measurements | | | |
| PM1 | Cost of the Audit & Counter Fraud Service a) Total Cost b) LA Share | N/A | Quarterly |
| PM2 | Cost per A&CF day | £400 | Quarterly |
| PM3 | Proportion of staff with relevant professional qualification: a) Relevant audit qualification b) Relevant counter fraud qualification | 75% | Quarterly |
| PM4 | Proportion of non-qualified staff undertaking professional qualification training | 25% | Quarterly |
| PM5 | Time spent on CPD/non-professional qualification training, learning & development | 70 days | Quarterly |
| PM6 | Compliance with PSIAS | 100% | Quarterly |
| PM7 | Staff turnover | N/A | Quarterly |
| LA Specific Performance Measurements | | | |
| PM8 | Average cost per assurance review | £5,000 | Quarterly |
| PM9 | Proportion of available resources spent on productive chargeable work | 90% | Quarterly |
| PM10 | Proportion of productive time spent on: a) assurance work b) consultancy work | N/A 65% | Quarterly |
| PM11 | Proportion of productive time spent on: a) proactive counter fraud work b) reactive counter fraud work | N/A 35% | Quarterly |
| PM11a | Proportion of productive time spent on SPOC associated duties | N/A | Quarterly |
| PM12 | Proportion of agreed assurance assignments: a) Delivered b) Underway | 95% | Quarterly |
| PM13 | Proportion of assignments completed within allocated day budget | 90% | Quarterly |
| PM14 | Proportion of completed reviews subject to a second stage (senior management) quality control check in addition to the primary quality control review | 10% | Quarterly |
| PM15 | Proportion of recommended actions agreed by client management | 90% | Quarterly |
| PM16 | Number of recommendations agreed that are: a) not yet due b) Implemented c) Outstanding | N/A | Quarterly |
| PM17 | Proportion of recommended actions implemented by agreed date | N/A | Quarterly |
| PM18 | Number of referrals received | N/A | Quarterly |
| PM19 | Number of investigations closed | N/A | Quarterly |

| Ref | Indicator | Target | Frequency |
|------|---|----------|-----------|
| PM20 | Value of fraud losses identified: a) cashable (losses that can be recovered) b) non-cashable (notional savings based on national estimates) c) Prevented Losses (Savings associated with blocked applications) | N/A | Quarterly |
| PM21 | Customer satisfaction with individual review/assignment | 95% | Quarterly |
| PM22 | Customer satisfaction with overall service | 95% | Quarterly |
| PM23 | Member satisfaction with assurance provided (based on Chair of Audit Committee contribution to Appraisal of the Head of Audit & Counter Fraud role) | Positive | Quarterly |
| PM24 | Statement of external audit | Positive | Quarterly |

VI. Reporting

Quarterly update reports are prepared and presented to senior management and the Audit Committees of both authorities, providing details of the findings made by the team in delivering agreed work plans, and performance against the indicator suite according to the timescales set out in the table above.

An Annual Report is prepared and presented to senior management and the Audit Committees of both authorities, to provide:

- A summary of how the team's resources have been used,
- A summary of the findings of the work of the service in the year,
- The opinion of the Head of Audit & Counter Fraud on the effectiveness of the overall control environment of each authority,
- A summary of the team's performance against the indicator suite outlined above,
- The results of any internal and external assessments against the Public Sector Internal Audit Standards along with action plans for any gaps identified,
- Any other opportunities for improvement identified through the results of this QAIP.

This QAIP is subject to an annual review with the results presented to senior management and the Audit Committees of both authorities for approval.