

Schedule 1

Service Specification

Internal Audit and Counter Fraud and Investigation Services

1. Introduction

- 1.1 This document sets out the functions to be delegated by the Delegating Authority to the Host Authority, the Services to be delivered and also sets out the performance standards for the Services.

2 Internal Audit Services

2.1 General

- 2.1.1 The Internal Audit Services shall be delivered in accordance with the Public Sector Internal Audit Standards, the requirements of the Accounts and Audit Regulations (England) 2011 as amended from time to time.
- 2.1.2 The Chief Audit Executive shall have unrestricted rights of access to all officers and members of the Delegating Authority as set out in clause 3.3 of the Agreement
- 2.1.3 The Chief Audit Executive shall have full operational independence to determine, inter alia, which audits should be carried out and when using the shared resources available. The Chief Audit Executive does however recognise the need to ensure that the work on the Brent audit plan is generally conducted from Brent's premises or sites throughout the Borough of Brent.
- 2.1.4 The Parties agree that the headquarters location for Staff transferring from the Delegating Authority to the Host Authority pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 will be Perceval House Ealing. For such Staff, monthly attendance at Perceval House Ealing for team meetings etc. will be required but the Chief Audit Executive recognises the need for such transferring Staff to be regularly working in the London Borough of Brent.
- 2.1.5 The Parties agree that during the Term the Delegating Authority may nominate its apprentices to assist with the provisions of the Services. The secondment of such apprentices to the Host Authority will be on the basis of a secondment agreement in such form as may be approved by the Parties.

2.2 Internal Audit Planning

- 2.2.1 Development of a risk-based Agreed Annual Audit Plan, informed by:
- The review of all relevant documents including but not limited to – the

Delegating Authority's Corporate Plan, Corporate, Directorate and Project Risk Registers, list of corporate projects and initiatives;

- Consultation with key individuals of the Delegating Authority including Directors and departmental management teams;
- Follow up of previous Internal Audit Reports, assurance opinions and agreed management actions in response to the recommendations made in the previous year's Internal Audit Reports of the Delegating Authority;
- Liaison with the Delegating Authority's external auditor; and
- Emerging risk issues for the Delegating Authority.

2.2.2 The level of Internal Audit Services will be based on the number of Internal Audit Days delivered in the 2015/2016 financial year baseline supplied by Delegating Authority's in-house resource (185 productive days per FTE) plus those Productive Days bought in from the outsourced provider of audit services (716 days)

2.2.3 The Agreed Audit Plan shall be presented for endorsement and approval within the required Delegating Authority's Audit Committee reporting timescales normally at the meeting held annually in February, to the Delegating Authority's Corporate Leadership Team and the Delegating Authority's Audit Committee. For reference, the Delegating Authority's Audit Committee meets at least four times per year.

2.2.4 In accordance with the Public Sector Internal Audit Standards the Chief Audit Executive will develop and ensure that the Agreed Annual Audit Plan will provide sufficient and appropriate evidence in order that the Chief Audit Executive is able to deliver the Chief Audit Executive's Annual Internal Audit Opinion and Report that can be used by the Delegating Authority to inform its Annual Governance Statement.

The Chief Audit Executive's Annual Internal Audit Opinion and Report must conclude on the overall adequacy and effectiveness of the Delegating Authority's framework of governance, risk management and control.

The Chief Audit Executive's Annual Internal Audit Opinion and Report will incorporate

- The Chief Audit Executive's assurance opinion;
- A summary of the work that supports this opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2.2.5 Each planned Internal Audit Assignment included within the Agreed Annual Audit Plan will be effectively planned and defined within formal terms of reference to include:

- Assignment objectives;
- Scope;
- Timing;
- Resource allocation; and
- Deliverable

2.2.6 Comprehensive audit files will be produced and maintained to support the audit conclusions reached.

2.3 Delivery

2.3.1 Manage the delivery of the Agreed Internal Audit Plan

2.3.2 To comply with the Performance Indicators

2.3.3 To agree changes to the Agreed Annual Audit Plan as follows:

- Requests to defer planned Internal Audit Assignment : on the written authority of the Delegating Authority's relevant Chief Officer (only); subject to the Chief Audit Executive having the right to refuse the deference if considered appropriate The Chief Audit Executive will have the independence to complete an audit if he considers it appropriate, thereby maintaining the required independence.
- Requests to cancel planned Internal Audit Assignment: on the written authority of the Delegating Authority's relevant Chief Officer (only); subject to the Chief Audit Executive having the right to refuse the request to cancel, if considered appropriate
- Requests to add new Internal Audit Assignment: on the written authority of the Delegating Authority's relevant Chief Officer (only); subject to the Chief Audit Executive having right to refuse the addition of new audits, if considered appropriate

2.3.5 To operate a risk based process for the follow-up of internal audit recommendations / agreed management actions as defined within the Final Internal Audit Report delivered for each Internal Audit Assignment included within the Agreed Annual Audit plan.

2.4 Quality / Reporting

2.4.1 In accordance with the requirements of the Public Sector Internal Audit Standards to ensure that all planned Internal Audit Assignments are subject to management review to ensure that the agreed audit scope / objectives have been delivered.

2.4.2 To produce a written report into each Internal Audit Assignment in a format to be agreed.

- 2.4.3 To produce a quarterly summary progress report on the delivery of the Agreed Internal Audit Plan in an agreed format to the Delegating Authority's Corporate Leadership Team and Audit Committee.
- 2.4.4 In accordance with the requirements of the Public Sector Internal Audit Standards to produce an Chief Audit Executive Annual Internal Audit Opinion and Report
- 2.4.5 In accordance with the CIPFA Delivery Good Governance in Local Government Framework ("The Framework") to prepare and publish an Annual Governance Statement in accordance with the Framework which meets the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2011 for inclusion within the Statement of Accounts of the Delegating Authority.

2.5 Reporting to the Delegating Authority's Audit Committee

- 2.5.1 Attend each meeting of the Delegating Authority's Audit Committee (between 4 – 6 meetings per year).
- 2.5.2 Prepare all necessary reports in the agreed reporting format to include progress performance reports, annual report, draft Annual Governance Statement and draft Agreed Annual Audit Plan.
- 2.5.3 To hold Delegating Authority's Audit Committee chairs' briefing meetings in advance of each meeting of the Delegating Authority's Audit Committee.

2.6 Contract Management

- 2.6.1 To effectively manage the performance of the Managed Supplier to the performance standards required as set out in the Performance Indicators set out in Annex 1 to Schedule 1.
- 2.6.2 To maintain Managed Supplier's non-chargeable time (for planning, management etc.) at or below the current baseline level of the external contractor being a total of 761 days.
- 2.6.3 At the expiry or termination of the Managed Contract in consultation and in agreement with the Delegating Authority, to procure and manage a new contract for internal audit services.

3. **Counter Fraud and Investigation Services**

3.1 General

- 3.1.1 To provide strategic management and leadership of the Counter Fraud and Investigation function, including the preparation and delivery of the Delegating Authority's Counter Fraud Strategy.

- 3.1.2 To act as the Delegating Authority's whistle-blowing officer for the purposes of the Public Interest Disclosure Act 1998 ("PIDA 1998").
- 3.1.3 To operate an effective system for receiving fraud referrals from the Delegating Authority's staff, members of the public and others as appropriate;
- 3.1.4 To operate an effective system of managing National Fraud Initiatives or equivalent fraud referrals;
- 3.1.5 To screen all fraud referrals received from sources as highlighted in 3.1.3 above on the basis of risk prior to allocation of referrals for investigation.
- 3.1.6 To operate and maintain as appropriate the Ealing, Hounslow and Brent case management system in respect of fraud referrals passed for investigation including maintenance of evidence to relevant legal standards.
- 3.1.7 Delivery of proactive anti-fraud campaigns to at least 2 campaigns per financial year
- 3.1.8 Maintain agreed referral relationships with the Department for Work and Pensions in respect of Housing Benefit related fraud matters following the transfer of responsibility for the investigation of Housing Benefit fraud to the National Single Fraud Investigation Service.
- 3.1.9 To deliver Financial Investigation Services in respect of the Proceeds of Crime Act 2002 cases.
- 3.1.10 Prepare all necessary reports for the Delegating Authority's Audit Committee in the agreed reporting format to include progress performance reports, annual report and the Counter Fraud Strategy as referenced above.
- 3.2 Appropriate qualifications and experience of staff delivering the service
- 3.2.1 The Host Authority shall provide the Services with the use of suitably qualified and experienced investigators, and will provide appropriate training and support for apprentices and CIPFA trainees who may from time to time be placed with the Services.
- 3.2.2 The Delegating Authority warrants that the Relevant Employees are suitably qualified and experienced investigators
- 3.3 Investigation of internal irregularities:
- 3.3.1 With regard to the investigation of internal irregularities the Parties agree that investigations of the Delegating Authority's staff will be prioritised and should take, in the majority of cases, no more than two months to conclude. It is known and accepted that certain cases may become complex or convoluted due to other factors, and may take longer. Any cases involving the Delegating Authority's staff

should be the subject of regular managerial case reviews by the Host Authority and the progress of such cases should be communicated to the Delegating Authority's Director of Finance on a periodic basis, with frequency to be agreed by the Parties. Such cases will be reviewed formally by the Host Authority on a monthly basis or such other frequency as agreed by the Parties .

3.4 Delivery of proactive work:

- 3.4.1 The Host Authority shall submit a schedule of proposed proactive work for agreement by the Delegating Authority's Director of Finance on a quarterly basis. Proposals should be supported by evidence as to why they are likely to be worthwhile, such risk factors and predictive analytics as expounded in national and London bulletins issued by recognised think tanks, issues of public concern, possible financial recoveries and so on.

3.5 Delivery of national fraud initiative data matching work:

- 3.5.1 It is expected that all high-priority matches are dealt with in a timely fashion and to meet all associated deadlines prescribed by the National Fraud Initiatives matching service.

3.6 Delivery of external fraud work:

- 3.6.1 The Host Authority shall ensure that the Services include annual work that is carried out to address fraud risks in the following areas: council tax, business rates, insurance, non-recourse to public funds, direct payments and the various types of grants administered by the Delegating Authority .

3.7 Delivery of proactive work with a high financial savings element:

- 3.8 The Parties will agree a schedule of work that outlines the delivery of work resulting in financial savings.

3.8 Delivery of work pertaining to potential reputational damage or disrepute:

- 3.8.1 Where investigations have the potential for reputational damage or disrepute, these are to be prioritised and delivered on an urgent basis with weekly updates provided to the Delegated Authority's Director of Finance.

3.9 Rapid response/emergency work:

- 3.9.1 The Host Authority shall provide a rapid response on work which is reasonably deemed to be an emergency by both Parties acting reasonably and in good faith, for example certain frauds involving the transfer of large funds will demand an urgent response.

3.10 Work pertaining to the recovery of funds or freezing of assets:

- 3.10.1 The Services shall ensure it has the expertise, links and resources to effect asset freezing where appropriate and should be able to invoke this on immediate basis.

3.11 Prosecution work:

- 3.11.1 The Host Authority shall write a scoping document outlining details pertaining to the various aspects of prosecution work in terms of investigation, legal action and costs and how recoveries of funds will operate in practice.

3.12 Delivery of investigations work pertaining to schools:

3.12.1 The Services should continue to support the Delegating Authority's schools in the investigation of irregularities and fraud. This should be done in a manner similar to internal irregularity work referred to at paragraph 3.3.1 above.

3.13 Housing fraud identified by, or pertaining to Brent Housing Partnership:

3.13.1 The Delegating Authority is contractually obliged to provide audit and investigation services to Brent Housing Partnership. The Host Authority agrees that it will deliver such audit and investigation services on behalf of the Delegating Authority in accordance with the terms of this Agreement.

3.14 Housing fraud identified by, or pertaining to housing associations:

3.14.1 The Host Authority shall use its reasonable endeavours to continue to increase the number of fraudulently let social housing properties (belonging to the Delegating Authority or a registered social landlord) recovered each year, from the 2014/15 baseline subject to the number of fraudulently let social housing properties in existence.

3.15 Fraud prevention work:

3.15.1 The Parties shall agree a plan for fraud prevention work including attendance at the Delegating Authority's departmental or team meetings to raise the awareness of fraud in order to prevent such activity and foster referrals and encourage whistleblowing.

Schedule 1

Annex 1

Performance Indicators

Agreement Specific

Performance Measure	Target
Reports to the Delegating Authority's Audit Committee agreed by the Delegating Authority 15 days prior to the Audit Committee meeting date.	100%
Delivery of the Shared Services Performance Indicators for Audit & Investigation Services set out in this Schedule	100%

Internal Audit Services Specific

Performance Measure	Target
% of the Agreed Annual Audit Plan completed to an agreed timetable	100
% of draft Internal Audit Reports issued within 10 days of audit closure meeting	95
% of final Internal Audit Reports issued within 5 days of final management comments received from the Delegating Authorities	100
% of Internal Audit Assignments delivered within planned time allocation as set out in the Agreed Annual Audit Plan (unless an extension has been agreed by the Head of Internal Audit Partnership	100%

Investigation Services Specific

Performance Measure	Target
Outcomes – sanctions as defined in the reports to the Delegating Authority's Audit Committee	65
Value of overpayments and savings made by the Delegating Authority and identified through the fraud investigation cases completed	£922,000
Number of cross-borough proactive anti-fraud campaigns delivered each year.	2
Number of Delegated Authority's fraudulently let council properties Recovered (subject to the number of actual fraudulently let Delegated Authority's council properties	51

Staff and Managed Supplier Specific

% productivity of all in-house staff calculated against the total number of productive days available taking into account bank holidays and annual leave.	90%
% maximum of Managed Supplier non-chargeable time.	5%