

# Internal Audit & Counter Fraud Strategy 2020-2024

Review of Progress  
December 2022

# I. Introduction

The Internal Audit & Counter Fraud Shared Service was established on 1 March 2016 to provide Internal Audit and Counter Fraud functions to Medway Council and Gravesham Borough Council. Our Strategy provides a framework to ensure our work is aligned to the priorities and values of both Medway and Gravesham councils and is delivered through Internal Audit and Counter Fraud Plans prepared for each authority, setting out the available resources and programmes of work for each.

The role of the Internal Audit team is to provide 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 Internal Audit Charter sets out our purpose, authority, and responsibility to deliver the Internal Audit function to both authorities and this Strategy is designed to support the Charter. Our Quality Assurance & Improvement Programme (QAIP) will support the Internal Audit team in embedding a culture of continuous improvement and help demonstrate the quality and performance of the Internal Audit team at both authorities.

The role of the Counter Fraud team is to act as the consultant to each authority on issues of fraud, bribery, and corruption. It will assess the fraud risks associated with each council's objectives, providing advice and guidance in relation to fraud prevention and raising fraud awareness amongst employees and Members through appropriate training. The Counter Fraud team will also undertake pro-active counter fraud activity to identify potential instances of fraud and error as well as respond to allegations received with appropriate investigation methods. In cases of proven fraud and error, redress will be sought, and the findings used to further enhance fraud prevention, with publicity designed to deter potential future offenders. This strategy is designed to support the Anti-Fraud & Corruption Strategies of both councils.

# II. Our mission & vision

The mission of the Internal Audit & Counter Fraud Shared Service is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight, and to protect assets, resources, and public funds by ensuring they are not misused or misappropriated through fraud, bribery, corruption, and theft.

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 Shared Service to drive us towards achieving our mission & vision:

Objective	Progress in 2022-23 to date
<p><b>Aligned priorities</b></p>	
<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 Internal Audit Plans for 2022-23 for both councils in the Shared Service began in December 2021.</p> <p>The planning process involved the Head of Internal Audit &amp; Counter Fraud (HIACF) consulting with the various Directorate and Divisional management teams of the two authorities, seeking service views on what they considered to be their areas of risk for the coming year and identifying any changes within services that could add further change to the control environment. Information was also sought in relation to any other sources of assurance relevant to each service on which reliance could potentially be placed.</p> <p>The information gathered was then fed into the ‘Audit Needs Assessments,’ which are risk-based assessments of all auditable areas within each council, to identify the most appropriate areas for review. The categories used to score the assessment, which already included inherent risk, control risk and reputational risk, were expanded to include financial risk, fraud risk, and priority (link to council plan objectives). The scoring range was also increased from 1-3 to 1-5 to create a larger spread of the total scores.</p> <p>These changes created an improved risk assessment, and the cyclical elements were also removed from the Internal Audit Plans to make them truly risk based.</p> <p>As a means of ensuring that internal audit resource continues to be focused on the highest areas of risk, plans were presented to the respective Audit Committee’s for Q1-Q2 only in March 2022. The Audit Needs Assessments were then updated in July 2022 to take account of any changes in the risk environment in year and plans for Q3-Q4 were then developed and presented for formal approval in September 2022.</p> <p>This has proven to be effective in managing the resource more efficiently as impacts on the projected available resource can be managed more easily.</p> <p>A separate Counter Fraud Plan was introduced for 2022-23 in conjunction with the return to designated teams, covering four key areas of activity, these being Fraud</p>

	<p>Awareness and Prevention, Pro-Active Counter Fraud Activity, Responsive Investigation Activity and Other Counter Fraud Activity.</p> <p>The plan provides a much clearer picture of how the counter fraud resource will be used across the two councils and demonstrates a more rounded approach to counter fraud. It also leads to separate reporting to provide Members with more detailed information about how the resource has been deployed, highlighting the prevention and other activity as well as the results of investigations.</p> <p>Gravesham’s plans have always been reviewed by their Management Team prior to submission to the Audit Committee and we now have arrangements in place for Medway CMT to have oversight of the plans prior to Audit Committee, which will commence with the plans for 2023-24. This will allow additional consultation before being finalised.</p>
<p>Our internal audit activity will be scheduled, and the scope defined in consultation with key clients to ensure we focus on the right areas.</p>	<p>The plans for Q1-Q2 were focused on the areas that were deemed to be the highest risk in the Audit Needs Assessment. A high-level scope for each review was established as part of the planning process and once approved, all reviews were allocated to individual Internal Auditors who were then able to speak to the client services and schedule the reviews to commence at a mutually convenient time, while also addressing the risks promptly.</p> <p>A more defined scope of each individual assurance or consultancy review is developed in consultation with the client services as part of the early stages in the audit process. This ensures that internal audit activity focuses on the right risk areas within the service and provides the necessary assurance.</p>
<p>Our counter fraud activity will be directed to the most appropriate areas of risk within each authority.</p>	<p>In the area of Fraud Awareness and Prevention, work has commenced on the assessment of fraud risks and controls in various areas of the organisations to create a fraud risk register. Fraud awareness sessions have been delivered to various services at both councils to raise awareness of fraud and also the services provided by the Counter Fraud team. One of the services on offer is attendance at corporate working groups to offer advice on fraud risk and prevention but to date, no requests have been received.</p> <p>In the area of Pro-Active Counter Fraud Activity, there has been a heavy focus on work linked to the National Fraud Initiative. The impact of redeployed resource during the pandemic response had created a backlog of outstanding work across three exercises but this has now been fully caught up and both councils are now in</p>

	<p>the most up to date position they have ever been. This means the service is now in a position to consider what other pro-active activity could be undertaken to identify potential fraud.</p> <p>703 Investigations have been concluded between 01 April to 31 December 2022 across the Shared Service, generating savings of approximately £784,051, demonstrating the effectiveness of the Investigation Activity, along with the fact that there have been the first sanctions applied since pre-pandemic in the form of six cautions and one administrative penalty.</p> <p>For Other Counter Fraud Activity, we continue to work closely with the Department for Work and Pensions (DWP), acting as the Single Point of Contact (SPOC) for the Single Fraud Investigation Service (SFIS) and working jointly on investigations where appropriate. The team also respond to information requests from external investigatory bodies.</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>All internal audit reports are written in a way that provides a balanced look at the findings of the review, aiming to highlight any positives identified as well as picking up on any areas of weakness in governance, risk management or internal control.</p> <p>We also have stages in the audit process to ensure that clients are fully engaged throughout and have the opportunity to discuss findings and identify actions before formal reports are issued. This includes detailed discussions about the findings of the audit and a collaborative approach when agreeing actions to address control weaknesses, to ensure that they are appropriate, achievable and add value. Given that clients are the experts in their services, they are best placed to identify an action that addresses the control weakness, in partnership with the Internal Auditor.</p> <p>We continue to follow up on all agreed actions as they reach their agreed implementation dates; seeking confirmation of implementation, including evidence in respect of high priority actions, or an update on the current position for those that are outstanding. The respective Corporate Management Teams also receive quarterly reports detailing the progress against all actions.</p> <p>The outcomes of this follow up work are detailed in the Internal Audit Update Reports to each Audit Committee; ensuring that positive action taken by management to address any control weaknesses identified is highlighted to Members and to provide 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 both authorities.</p>	<p>Our performance measurement and monitoring arrangements for internal audit are formally defined in the Quality Assurance &amp; Improvement Programme (QAIP) that is endorsed by senior management and the respective Audit Committees annually.</p> <p>This document has been subject to its annual review and Members will shortly receive the proposed QAIP for 2023-24 for approval.</p> <p>The performance measures for counter fraud now form part of the annual Counter Fraud Plans, which are approved by the respective Audit Committees of both councils.</p>
<p><b>Effective staff</b></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>Two Internal Auditors commenced a Level 4 Internal Audit Practitioner apprenticeship in October 2020. One has recently successfully completed the apprenticeship. The other has had a break in learning but will be recommencing soon.</p> <p>Since the last review of progress against the strategy we have recruited a new Internal Auditor and also an Internal Audit Apprentice. After seeking expressions of interest, it is our intention for both to commence the Level 4 apprenticeship to continue the development of officers within the team.</p> <p>Both our Counter Fraud Officers have commenced a Level 4 Counter Fraud Investigator apprenticeship with CIPFA, one in November 2021 and the other in April 2022. This will lead to both becoming Accredited Counter Fraud Specialists.</p> <p>Our newest Intelligence Officer has completed a course with CIPFA to become an Accredited Counter Fraud Technician and was also offered the opportunity to join officers from Regulatory Services on Level 5 investigation training, meaning that all members of the team will have the skills to conduct investigations once all training has been completed and gives options for succession planning.</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>We have a wide range of experience levels within the Internal Audit team, some having worked in internal audit for a number of years and others being relatively new in comparison. Individual assurance reviews are allocated to Internal Auditors based upon a mixture of their existing skills and experience and also areas where they are less familiar in order to provide them with challenge and increase their experience.</p>

	<p>This has been the practice since the Shared Service commenced and continues with rotations of staff each year to increase the knowledge base amongst the team and provide greater resilience.</p> <p>While we aim to ensure a good knowledge base across all officers, we are considering whether training should be undertaken in some specialist areas such as IT, to ensure that we have suitable skills within the service but as with previous years, turnover of staff has created resourcing issues that have meant we have not been able to move this forward.</p> <p>While the majority of staff in the counter fraud team are relatively new to their roles, they bring a range of skills that complement the work undertaken and are busy building on their technical knowledge and skills through professional qualification training.</p>
<p>We will be a great place to work with a motivated, productive, and aspirational workforce.</p>	<p>Changes to the service took place during 2020-21 with a return to designated Internal Audit and Counter Fraud teams and a mini restructure in 2021-22 also saw an Internal Audit Team Leader replaced with a Senior Internal Auditor. These changes have made both elements of the service more effective, however productivity in internal audit has been impacted by staff turnover.</p> <p>In both teams, trainees have been successful during recent recruitment exercises and bring with them a high level of enthusiasm and a strong desire to learn, meaning they will quickly develop their technical skills and experience. This brings fresh positivity and a new drive to the service, which increases the motivation across the service as a whole.</p> <p>We are aiming to use the ambition of the new recruits to drive the aspiration of others and see more officers undertaking their professional qualifications.</p>
<p><b>Positive impact</b></p>	
<p>We will build strong, positive professional relationships with key clients, partners and Members across both authorities and engage them in the development of our strategies and work plans.</p>	<p>We continue to ensure there is engagement with services in the process for setting the Internal Audit Plans as well as defining the scope of individual reviews. Our processes are reviewed frequently with the engagement of clients being a key factor to any considerations. The HIACF attendance at DMT's is primarily aimed at identifying risks but also provides an opportunity to remind services about the role and purpose of the Internal Audit team to reaffirm that we are a 'critical friend' to</p>

	<p>the organisations and are there to help drive continuous improvement and add value.</p> <p>The Counter Fraud Team have held numerous introduction sessions with services to build on working relationships, often leading to fraud awareness sessions within new areas of work for them, while also building on existing relationships. These activities have led to an increase in both the number and quality of referrals being received. The Counter Fraud Officers have also spent a week shadowing all the teams within Housing at Gravesham to build on their understanding the service and potential fraud risk areas.</p> <p>We also continue to invite service managers from other areas within both councils to attend IA&amp;CF Shared Service meetings, where they can talk about the work of their services to help inform both Internal Auditors and Counter Fraud Officers what is happening across the authorities.</p>
<p>We will raise the profile of the work of the service to ensure senior management and Members are aware of the responsive assurance, consultancy, and counter fraud services we can provide.</p>	<p>Surveys were issued at the end of 2021-22, the results of which suggested that work was required in this area.</p> <p>The responses to the internal audit survey were limited in number but demonstrated a good level of satisfaction amongst those that did respond. The change to six monthly workplans and enhancements to the review process should continue the improvements already seen and hopefully encourage a greater response to the next survey.</p> <p>The results of the counter fraud survey demonstrated that further work was required to improve awareness of the service. There were a significant number of responses at both councils, and a large proportion commented that they were not aware the team existed, let alone the services it provided.</p> <p>This is being addressed as part of the Counter Fraud Plan with resource directed to Fraud Awareness Activity. Work to date has already led to improvements in the quality of the referrals received and there have also been introductory sessions with services who have never previously engaged with counter fraud.</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 matters and also to promote our work and the services we can provide to a wider audience.</p>	<p>Representatives from the IA&amp;CF Shared Service continue to attend a number of corporate working groups at both councils including the Security Information Governance Group (Medway), Information Governance Group (GBC), Strategic Risk Management Group (Medway) and Risk Management Working Group (GBC).</p>



	<p>In addition, members of the Internal Audit team have represented the service a number of project specific working groups across both authorities to provide assistance and advice on governance, risk management and control matters where appropriate.</p>
<p>We will work with key external partners, such as the Police, Immigration, other local authorities and the Department for Work and Pensions (DWP), to address fraudulent activity that crosses organisational responsibilities and boundaries.</p>	<p>The Counter Fraud team continues to act as the SPOC for all DWP and other investigative bodies in responding to requests for information. We also assess requests from DWP to joint work on Universal Credit cases where the customer is also in receipt of council tax reduction.</p> <p>A joint operation has taken place on one specific investigation, involving Police and Immigration Enforcement and a joint investigation with a London Borough is also in progress.</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>The processes for assurance reviews have been refined with target time periods set for each phase of the review process to ensure completion within a reasonable time period. The outputs of the Internal Auditors are monitored by the Internal Audit Manager and the outputs for timescales relating to quality reviews undertaken by the Internal Audit Manager are monitored by the HIACF.</p> <p>Although the restructure within the Internal Audit team was designed to remedy the issue of delays in the quality control process, we are again aware of delays in the process this year, which have been caused by other operational demands linked to staff management and several recruitment processes. This has been caused by circumstances beyond our control and the delay is gradually reducing as we clear the backlog.</p> <p>The Audit Committees of both authorities now receive separate update reports in respect of both internal audit and counter fraud activity against their agreed plans and will receive separate annual reports for the first time at the end of 2022-23.</p>
<p>We will continue to build on the success of the shared working arrangements and explore all opportunities for further development, including the potential to expand the partnership and increase cost savings and resilience or sell services.</p>	<p>Due to the need to recruit staff and develop those relatively new to their roles, our focus has been on ensuring we continue to deliver a high-quality service within the existing partnership rather than looking at expansion or selling services to other organisations. As our staff development progresses, we will begin to once again explore any such opportunities.</p>