

# Internal Audit & Counter Fraud Strategy 2020-2024

Review of Progress  
December 2023

# 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 2023-24 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 Internal Audit Plans for 2023-24 for both councils in the Shared Service began in December 2022.</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 alter 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. There are six categories used to score the assessments, each with its own weighting; these are inherent risk (7), control risk (10), reputational risk (5), financial risk (7), fraud risk (7), and priority (link to council plan objectives) (5). Each category is scored 1-5 to give an overall total for the assessments, with the highest scoring areas selected for review, subject to when they were last audited.</p> <p>As with 2022-23, the plans presented to the respective audit committees in March 2023 only covered the period Q1-Q2. In July 2023-24, the risk assessments were again reviewed and updated as appropriate and Q3-Q4 plans prepared that considered any changes in the risk profiles, and the level resource projected to be available to ensure that the plans continued to focus on the highest risk areas.</p> <p>This has proven to be effective in managing the resource more efficiently as impacts on the projected available resource are able to be managed more easily.</p> <p>We continued with separate Counter Fraud Plans for 2023-24, which again covered four key areas of activity; these being Fraud Awareness and Prevention, Pro-Active Counter Fraud Activity, Responsive Investigation Activity and Other Counter Fraud Activity.</p>

	<p>These plans provide a much clearer picture of how the counter fraud resource will be used across the two councils, demonstrates a more rounded approach to counter fraud and provides 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>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 Internal Audit Plans for Q1-Q2 were focused on the areas that were deemed to be the highest risk in the Audit Needs Assessments, while also considering the impact on the client service. 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>There has been a significant amount of resource directed to Fraud Awareness and Prevention during 2023-24. Specific fraud awareness sessions have been delivered to various services at both councils and generic sessions were also made available on iShare for staff to learn about the impact of fraud on the council. There have been around 12 sessions since October 2023, all of which have been well attended, and the feedback has been extremely positive. From January 2024, these sessions will take place once a month. Work is in progress to create a fraud risk register at each council, with individual fraud risk assessments being undertaken in the various service areas. The Fraud Risk Register for Gravesham is nearing completion and the meetings with services at Medway are in progress but are not as far forward due to the much higher volume of areas to cover. The risk registers will be presented to Members of the respective Audit Committees once finalised and will be used to determine the most appropriate areas for targeted awareness training and potential pro-active activity.</p> <p>In the area of Pro-Active Counter Fraud Activity, the continued focus on work linked to the National Fraud Initiative has made a positive difference, with the backlog of work cleared and only work on the most recent exercise ongoing. This has allowed us</p>

	<p>to begin planning for pro-active work in other areas of both councils and some work has now commenced.</p> <p>389 Investigations have been concluded between 01 April to 30 November across the Shared Service, generating savings of approximately £824,578 and dealing with a number of internal/disciplinary/grievance matters, demonstrating the effectiveness of the Investigation Activity.</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 Counter Fraud 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>The audit process ensures 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.</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 strengths identified as well as picking up on any areas of weakness in governance, risk management and/or internal control. Since April 2023, the format of these reports has also been amended to make them shorter, more concise, and easier for clients to digest.</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 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 2024-25 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>The service (with the exception of the Head of Internal Audit &amp; Counter Fraud) was part of the pilot group for the fundamental review of the Medpay scheme, which would look at performance, progression and pay.</p> <p>As part of this review, all job descriptions were reviewed and updated to ensure they accurately reflected the requirements of the role and the duties being undertaken and career progression frameworks were introduced with competencies to be demonstrated/achieved for progression through the appropriate pay ranges, including requirements to complete professional qualifications. This will provide recognition and reward for those that push themselves to develop, which has not been available previously.</p> <p>Two Internal Auditors are currently undertaking the Level 4 Internal Audit Practitioner apprenticeship, as is the Apprentice Internal Auditor recruited in November 2022. The Principal Internal Auditor has now commenced the Level 7 Internal Audit Professional apprenticeship following completion of the Level 4.</p> <p>One of our Counter Fraud Officers continues with a Level 4 Counter Fraud Investigator apprenticeship with CIPFA, and another has recently completed a Level 5 investigation qualification with Distinction.</p> <p>Our newest Intelligence Officer has just commenced a two-year Level 4 Intelligence Analyst apprenticeship.</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 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. This mix of work also enables those on apprenticeships to increase their range of learning. This has been the practice since the Shared Service commenced and</p>

	<p>continues with rotations of staff each year to increase the knowledge base amongst the team and provide greater resilience.</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 and on the job training.</p>
<p>We will be a great place to work with a motivated, productive, and aspirational workforce.</p>	<p>The Medpay review process has seen significant changes within the service, such as changes to grades and more crucially, the introduction of career progression frameworks. The hope is that these changes will address some of the recruitment and retention issues that have been experienced over the last few years with turnover of staff and difficulty recruiting experienced officers.</p> <p>The introduction of the career progression frameworks will also give a clear development path for existing and new members of the service and give new incentives for personal development.</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 Directorate and Divisional Management Teams 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 there to help drive continuous improvement and add value.</p> <p>The Counter Fraud team continue to build on working relationships with other services and the addition of two new members of staff to deal with internal disciplinary/grievance matters is also expanding the reach across the organisation, thereby increasing awareness of the service.</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 the Internal Audit and Counter Fraud tams 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 2022-23, the results of which showed some improvement in comparison to the survey at the end of 2021-22, however, it was clear that there was still further work required, particularly around awareness of the service.</p> <p>The number of responses to the internal audit survey was higher than in comparison to 2021-22, meaning that there was a broader range of scores on questions regarding satisfaction, although the average was still positive. A number of comments about the annual plans indicated that some managers are not receiving communications about what is in the plans, so we will aim to address this with the 2024-25 plans.</p> <p>Responses to the counter fraud survey were significantly lower than in 2021-22 and despite the work undertaken on fraud awareness, there was still a clear lack of awareness of the team. However, satisfaction amongst those that had received services from the team remained relatively high.</p> <p>It is hoped that the increased volume of fraud awareness training that has been made available will have helped to improve this awareness amongst staff.</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 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), and Risk Management Working Group (GBC).</p> <p>In addition, members of the Internal Audit team have represented the service on 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 are also in discussions about internal audit and fraud awareness training being included as part of the newly launched Medway Manager training programme.</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 a joint investigation with a London Borough. The case remains ongoing.</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 audit process has been refined, with target time periods set for each phase to ensure completion within a reasonable time period. The outputs of the Internal Auditors against target timescales are monitored by the Internal Audit Manager and the outputs against target timescales relating to quality reviews undertaken by the Internal Audit Manager are monitored by the HIACF.</p> <p>The restructure within the Internal Audit team was designed to remedy the issue of delays in the quality control process, but other operational demands linked to staff management and several recruitment processes during 2022-23 resulted in a backlog of work. Significant effort was put into clearing the backlog and timescales have been improved, although we acknowledge there is still more to do.</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 received 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>We have been unable to explore expansion of the partnership to include other authorities, but the counter fraud team has been expanded to enable the investigation of internal disciplinary and grievance matters at Medway, which has resulted in reductions in the average time for the investigations to be completed and the level of resource used in each case, therefore reducing costs.</p>