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# Audit & Counter Fraud Strategy 2020-2024

## Review of Progress December 2021

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

Objective	Progress in 2021-22 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 2021-22 for both councils in the Shared Service began in December 2020.</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. Due to the impact of the pandemic, this engagement was limited in some areas.</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.</p> <p>From now on the internal audit and counter fraud plans will now be developed separately in line with best practice and submitted for separate approval. Separating the plans will give Members a more detailed view of how we aim to use the available internal audit and counter fraud resources during the year.</p> <p>The engagement process has now commenced for the development of the 2022-23 internal audit plan and the HIACF is currently attending the various meetings across the two councils to consult on perceived risks and also identify any other forms of assurance that could be relied upon and allow internal audit resource to be targeted elsewhere.</p> <p>We have also been reviewing the Audit Needs Assessment process and are making changes to the scoring part of the process. It is currently based upon three categories, inherent risk, control risk and reputational risk but we are looking to include further risk areas, such as financial risk and fraud risk, to create a broader picture of overall risks.</p> <p>We are moving towards ensuring that the internal audit plans are truly risk based and will no longer be using a cyclical plan. While we are aware that the cyclical element</p>

	<p>of the plan focuses on certain key areas of the councils' functions, we have to consider whether repeated reviews, that generally show there are no issues, really add value in terms of providing assurance. All those key areas are likely to feature highly in the overall risk assessment, so will still be considered for appropriate review.</p> <p>In addition, we are aiming to make internal audit more responsive to changes in the risk environment. At present an annual plan is agreed and any changes to that plan are subject to Member approval, which can limit our ability to respond in a timely manner. Our Audit Needs Assessment will identify the key areas for review in 2022-23 but this assessment is based on a point in time and can be subject to change, so we will be preparing a plan for quarter one and quarter two of 2022-23 that is targeted on the highest priority areas, which will be presented to the respective Audit Committees in March 2022. The assessment will be updated in year to account for any changes in the risk environment, or to the resources available, and the plan for quarters three and four of 2022-23 presented to the Committees for approval in September 2022.</p>
<p>Our audit work will be scheduled and the scope defined in consultation with key clients to ensure we focus on the right areas.</p>	<p>A high-level scope for each review is established as part of the planning process and all 2021-22 reviews were scheduled in consultation with services to avoid them taking place during peak periods for the client. A more defined scope of each individual assurance or consultancy review is developed in consultation with the key client to ensure we focus on the right risk areas.</p> <p>We will again consult with clients regarding the timing of reviews but as it is intended to focus on the highest risk areas within the first half of the year, there may be a need for some compromise between the Internal Audit team and the client to ensure that these reviews can take place at the most suitable time while still addressing the priority of the risk.</p>
<p>Our Counter Fraud activity will be directed to the most appropriate areas of risk within each authority.</p>	<p>The Counter Fraud team has been through a number of changes during 2021-22, with the retirement of the Counter Fraud Assistant at the end of April and resignation of a Counter Fraud Officer in October. Consequently, there have been various vacancy periods that have impacted on delivery of work.</p> <p>However, we have focused available resource on addressing the backlog of matches from the National Fraud Initiative exercises from 2019-20 and 2020-21. All matches from the 2019-20 Council Tax exercise have been cleared and significant progress has been made on the 2020-21 exercise, although assistance has been sought from other</p>

	<p>service areas to review appropriate matches. We have also seen a return to home visits and interviews following the lifting of Covid-19 restrictions, which has enabled a number of cases to progress.</p> <p>The level of savings for the year to date demonstrates the effectiveness of the team.</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 the areas where recommendations have been made. We also have stages in the audit process to ensure that clients are fully engaged throughout the process and have the opportunity to discuss actions and findings before formal reports are issued.</p> <p>This process has recently been reviewed and updated to ensure that more detailed discussions are held with clients about the findings of the audit, including taking a more collaborative approach when agreeing actions, to ensure that they are appropriate, achievable and add value for money. Given that the clients are the experts in their areas, 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 Audit &amp; Counter Fraud Update Reports to each Audit Committee; ensuring that positive action taken by management to address any control weaknesses identified is highlighted to Members and 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 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 2022-23 for approval.</p>

## Effective staff

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.

Our Internal Audit Manager was accepted directly into the third year of a three-year Level 7 Internal Audit Professional Apprenticeship based on qualifications already held, which was completed this year. She was subsequently awarded a MSc in Internal Audit Management & Consultancy and now also holds the Internal Audit Professional designation.

Two Internal Auditors are just over twelve months into a two-year Level Four Internal Audit Practitioner Apprenticeship. Both are progressing well and have completed several training modules and exams. The course is due to finish in November 2022 at which point they will both hold the Internal Audit Practitioner designation.

We will be looking at placing more staff on internal audit apprenticeships when the current officers finish their course.

Two Counter Fraud Officers completed the assessment process for accreditation under the newly created Government Counter Fraud Profession (GCFP). However, one has since moved into an Intelligence Analyst role and the other has left the authority. The Counter Fraud Manager and HIACF are awaiting the assessment criteria for managers to join the GCFP as the practitioner level is not appropriate.

Our newly appointed Counter Fraud Officer commenced a Level Four Counter Fraud Investigator apprenticeship with CIPFA in November 2021 and a space has been secured on the next intake in April 2022 for the Officer that will be starting in January 2022. This will lead to both becoming Accredited Counter Fraud Specialists.

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.

Since the launch of the Shared Service, individual assurance reviews have been allocated to officers based upon a mixture of their existing skills and experience and areas where they were less familiar in order to provide them with more challenge and increase their experience.

This practice has continued with rotations of staff each year to increase the knowledge base amongst the team and provide greater resilience. This practice has still also considered their particular skill sets.

As mentioned last year, 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. The impact

	<p>on resources during the year has limited our ability to move this forward but is an area of focus for 2022-23.</p>
<p>We will be a great place to work with a motivated, productive, and aspirational workforce.</p>	<p>Following a consultation in December 2020, officers were formally moved to designated roles as either Internal Auditors or Counter Fraud Officers from April 2021 and following the resignation of an Internal Audit Team Leader in June 2021, a mini restructure was completed to create a Senior Internal Auditor role and make the remaining Internal Audit Team Leader an Internal Audit Manager and Counter Fraud Team Leader to Counter Fraud Manager to reflect the true nature of the responsibilities of the roles.</p> <p>It has already been demonstrated that the move to designated roles makes the service more effective with some of the highest levels of results achieved during 2019-20 when the approach was trialled. Despite the impacts of Covid-19 and temporary redeployments, we also saw an extremely good level of service being maintained for both authorities.</p> <p>The service is continually looking to improve and the changes to the internal audit structure have been designed to provide a career path for those with aspirations to progress. The newly appointed officers in both areas of the service have a clear desire to learn, which is contributing to the motivation to succeed.</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 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 the organisations and are there to help drive continuous improvement.</p> <p>We also continue to invite service managers from other areas within both councils to attend IA&amp;CF 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</p>	<p>Awareness of the Internal Audit team's ability to conduct responsive assurance work appears to be increasing as requests have been received, however, impacts on</p>

<p>of the responsive consultancy and investigation services we can provide.</p>	<p>resources that have been created by sickness and vacancies have limited our ability to deliver such work during 2021-22. The restructuring of the Internal Audit team and creation of a more responsive plan for 2022-23 are aimed at improving the ability to react to request for responsive assurance work.</p> <p>The Counter Fraud team have attended various service team meetings in the past and will be looking to resurrect this practice in 2022-23 when the team will be fully staffed, meeting with teams in high risk areas to try and raise fraud awareness and, in areas of newly emerging fraud risks, provide an overview of the services that the Counter Fraud Team can provide.</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 IA&amp;CF 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 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>We are aware of delays this year in the quality control process, which have been caused by sickness and the responsibility of reviewing all assurance reviews falling to one officer along with their other duties. The restructure within the Internal Audit team was designed to remedy this issue and once all officers are in those new roles, we will see a much more efficient process.</p> <p>The Audit Committees of both authorities continue to receive three update reports in year and an annual report outlining all the work undertaken by the service each year. From 2022-23, these reports will be separated to provide updates on progress against the Internal Audit Plan and the Counter Fraud Plan to ensure there is clarity over the work being undertaken by each part of the Service.</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.

As with last year, there has been no progress on this area during due to other more urgent priorities and operational demands, including various recruitment processes. However, there have been a number of requests from Housing Associations for assistance with counter fraud services, so this is an avenue that will be explored during 2022-23.