

Internal Audit & Counter Fraud Shared Service  
Medway Council & Gravesham Borough Council

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# Internal Audit Update

Medway Council

For the period:

1 April – 31 July 2025

# 1. Introduction

- 1.1 The Internal Audit & Counter Fraud Shared Service for Medway Council & Gravesham Borough Council was established on 1 March 2016. The service provides internal audit assurance and advisory, proactive counter fraud and reactive investigation services, and the Single Point of Contact between both authorities and the Department for Work & Pensions Fraud & Error Service for their investigation of Benefits Fraud.
- 1.2 The Global Internal Audit Standards (the Standards) require that: *The chief audit executive must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate.*

# 2. Executive Summary

- 2.1 The first four months of 2025-26 have led to the following audit reviews being finalised: *(Items in italics had full details of the review included in the 2024-25 annual report)*
  - *Adult Social Care – Assessments & Reviews of Financial Support – Opinion: **Green** (2023-24 review finalised in 2024-25)*
  - *Unregulated Placements – Opinion: **Green** (2023-24 review finalised in 2025-26)*
  - *Homes for Independent Living – Opinion: **Amber** (2023-24 review finalised in 2024-25)*
  - *Adult Social Care Debt Recovery – Opinion: **Red** (2024-25 review finalised in 2025-26)*
  - *Housing Benefit & CTR Administration – Opinion: **Green** (2024-25 review finalised in 2025-26)*
  - *Private Housing Enforcement – Opinion: **Red** (2024-25 review finalised in 2025-26)*
  - *Medway Virtual School – Opinion: **Green** (2024-25 review finalised in 2025-26)*
  - *Planning Obligations – Opinion: **Green** (2024-25 review finalised in 2025-26)*

Of the 11 remaining reviews from 2024-25, three have draft reports with clients, one is awaiting a supervisory review of the draft report, one has been subject to supervisory review and is having a draft report prepared, and six are awaiting their initial supervisory review. Eight reviews from the current year have fieldwork underway, with a further review having reached the supervisory review stage, and commencement of the others is being arranged with the clients. As a consequence of this work, plan delivery as of 31 July was 4% complete, with a further 31% underway. Full details of the individual reviews can be found in section 5 of this report.
- 2.2 Follow up of agreed actions has continued and performance as of 31 July stood at **65.7%**, with **23** of **35** actions due in the period having been completed (based on responses received by report deadline). **12** remain outstanding, five of which are six months or more overdue, or have failed to be implemented by revised implementation dates; these are being monitored in line with the agreed follow up process. Full details of the progress made in relation to recommendation follow up can be found at section 9.
- 2.3 There has been some impact on projected resources due to the start date of a new internal auditor being later than originally anticipated, and an underestimate in the number of training days required having taken on two new trainee internal auditors. As a consequence, we are currently projecting a loss of approximately 45 days from the projected 653 available at the start of the year and this has been addressed as part of the planning process for Q3-Q4.

# 3. Independence

- 3.1 The Internal Audit Charter was approved by the Audit Committee in March 2025 and includes the internal audit mandate. This mandate sets out the authority for the internal audit function, and its organisational position and reporting relationships, which have been designed to ensure the team's independence and objectivity through direct reporting lines to senior management and Members, and

through safeguards to ensure officers remain free from operational responsibility and do not engage in any other activity that may impair their judgement.

- 3.2 The work of the team during the period covered by this report has been free from any inappropriate restriction or influence from senior officers and/or Members, and no independence, or other issues that may compromise objectivity, have arisen.
- 3.3 Given the Head of Internal Audit & Counter Fraud's responsibilities for counter-fraud activities, the Internal Audit team cannot provide independent assurance over the counter-fraud activities of either council. Instead, independent assurance over the effectiveness of these arrangements will be sought from an external supplier of audit services on a periodic basis. The most recent of these reviews was undertaken by Tonbridge & Malling Borough Council in 2018-19.

## 4. Resources

- 4.1 The Internal Audit & Counter Fraud Shared Service reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. The Internal Audit team consists of; the Head of Internal Audit & Counter Fraud (0.65FTE), one Internal Audit Manager, one Principal Internal Auditor, three Internal Auditors (2.78FTE) and three Trainee Internal Auditors.
- 4.2 The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 64% for Medway, with the remaining 36% for Gravesham. The establishment at the time the Internal Audit plan for 2025-26 was prepared, was forecasted to provide a total of 1,020 days available for internal audit work (net of allowances for leave, training, management, administration etc.) with the share for Medway being 653 days, along with a further 83 days for management of internal audit activity.
- 4.3 Net staff days available for Medway for the period 1 April to 31 July 2025 amounted to 334.5 days and 208.2 days (62%) were spent on chargeable internal audit activity. Of this chargeable time, 208.2 days (100%) was spent on audit assurance work. The current status and results of all work carried out are detailed at section 5 of this report.
- 4.4 Based on our most recent assessment, we are currently projecting a loss of approximately 45 days from the projected internal audit resource available at the start of the year. These losses are linked to the start date of a new internal auditor being later than originally anticipated, and an underestimate in the number of training days required having taken on two new trainee internal auditors, which was obviously an unknown at the time the original projections were completed.

## 5. Results of planned Internal Audit work

- 5.1 The Internal Audit Plan Q1-Q2 2025-26 for Medway was approved by the Audit Committee in March 2025. The Plan is intended to provide a clear picture of how the council will use the Internal Audit resource, reflecting all work to be carried out by the team for Medway during Q1 and Q2 of the financial year.
- 5.2 The tables below provide details of the work from 2024-25 that has been finalised in 2025-26 (excluding those detailed in the annual report for 2024-25), and the progress of work undertaken as part of the 2025-26 Q1-Q2 plan during the period.

## 2024-25 planned assurance work finalised in 2025-26 (since the last Audit Committee meeting)

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
					All reviews meeting this criteria are included in the annual report that is also on the Committee Agenda.

## 2025-26 planned assurance work

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
1	Insurance	15	N/A	Fieldwork underway	The review will consider the following risk(s): <b>Risk One - Arrangements are not in place to maintain appropriate insurance cover.</b> <b>Risk Two – Arrangements are not in place to ensure insurance claims received by the council are appropriately processed.</b>
2	Corporate Credit Cards	20	N/A	Fieldwork underway	The review will consider the following risk(s): <b>Risk One – Corporate credit cards are not used / managed appropriately.</b>
3	Managed moves, mutual exchanges, successions	15	N/A	Terms of Reference being prepared	
4	Urgent Care Provision	15	N/A	Proposal to remove	Initial preparation work for this review identified that all controls sit with the NHS Trust, so there are no internal controls to be reviewed. The service is looking at how this function operates in practice to see if any efficiencies can be identified.
5	Business rates administration & collection	20	N/A	Fieldwork underway	The review will consider the following risk(s): <b>Risk One – The arrangements in place to administer, bill and collect business rates are ineffective.</b>
6	Building Safety Compliance (Non-HRA)	17	N/A	Fieldwork underway	The review will consider the following risk(s): <b>Risk One – The council fails to comply with legal requirements around building safety.</b>
7	General Data Protection Regulation	20	N/A	Fieldwork underway	The review will consider the following risk(s): <b>Risk One – Effective Leadership &amp; Governance, Policy Framework and Training &amp; Awareness arrangements are not in place to ensure compliance with GDPR.</b> <b>Risk Two – There are ineffective action plans in place to ensure compliance with GDPR.</b>
8	Budget monitoring	20	N/A	Fieldwork underway	The review will consider the following risk(s): <b>Risk One – Monitoring of the council's revenue budget is ineffective.</b>

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
9	Governance Framework	15	N/A	Fieldwork underway	The review will consider the following risk(s): <b>Risk One – Arrangements are not in place to ensure Medway Council’s governance framework is effective.</b>
10	SEND education - Education, Health & Care Plan Assessments	15	N/A	Terms of reference being prepared	
11	Rough sleeping services	15	N/A	Fieldwork complete, awaiting supervisory review	The review considered the following risk(s): <b>Risk One – The Rough Sleeping Strategy is not delivered effectively.</b> <b>Risk Two – Measures to operationally manage the service are not effective.</b>
12	Children in Need – Section 17 Financial Assistance (Review deferred from 2024-25 after Q1-Q2 plan agreed)	15	N/A	Fieldwork underway	The review will consider the following risk management objectives: <b>RMO1 - There are arrangements in place to ensure prompt and accurate assessment of claims for Section 17 financial assistance.</b> <b>RMO2 - There are arrangements in place to control expenditure.</b>

### Other assurance work

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
	Finalisation of 2024-25 Planned Work	70	N/A	Underway	Work to finalise the last of the reviews from 2024-25 is ongoing with 11 currently outstanding.
	Grant Validations	10	N/A	Underway	Validation work has been completed in relation to the following grant funding streams to enable sign off by appropriate officers: <ul style="list-style-type: none"> <li>• Multiply Local Allocations Grant Determination 31/7121 (2024-25 Statement of Grant Usage)</li> </ul>
	LATCo Self-Assessment Validation	15	N/A	Underway	Completed self-assessments have been received from Medway Norse, Medway Development Company and Kyndi. Validation of the Medway Norse and Medway Development Company assessments is currently in progress, with evidence to support conclusions being requested and reviewed.
	FIT Plan Validation	7.5	N/A	Not yet started	

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
	Supporting Families Assessment Validation	6	N/A	Not yet started	There were no requests for validation during the reporting period.
	Responsive Assurance Work	7.5	N/A	Not yet started	No activity in the period

### Follow Up Work

Ref	Activity	Number of Days Allocated	Number of Days Used	Current status	Opinion, summary of findings & recommendations made
	Follow Up of Agreed Actions	7.5	N/A	Underway	Responsible officers were contacted about outstanding actions on a monthly basis, with all updates/evidence of completion recorded. Full details of the outcomes from follow up activity can be found in section 7.

### Advisory work

Ref	Activity	Day budget	Days used	Current status	Opinion, summary of findings & recommendations made
	Attendance at Corporate Working Groups	2.5	N/A	Underway	The Head of Internal Audit & Counter Fraud has attended meetings for the Security & Information Governance Group.
	Responsive Advisory Work	10	N/A	Not yet started	The Head of Internal Audit & Counter Fraud has provided feedback to HR in relation to interview documentation that was trialled as part of the Counter Fraud Officer recruitment process in February, although no formal advisory work has taken place.

## 6. Themes & Root Causes

- 6.1 Standard 11.3 Communicating Results includes a section on 'Themes', which states "The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the chief audit executive identifies themes related to the organisation's governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management".
- 6.2 It is our intention to undertake a review of findings across a number of reviews to see if there are any common themes or identified root causes, however, other pressures and a limited number of reviews finalised in the year to date leaving limited data to work with, have meant that has not yet been possible. However, we hope to be able to provide some more information in relation to this in the next update.

## 7. Performance Monitoring

- 7.1 The Standards require that: *The chief audit executive must develop objectives to evaluate the internal audit function's performance.*
- 7.2 To meet this requirement, arrangements to monitor progress against delivery of the agreed Internal Audit Plan(s) are built into the working processes of the team, including progress against the performance indicators in the table below.

Ref	Indicator	Target	Outturn for period
IA1	Proportion of available resources spent on chargeable work	70%	62%
IA2	Proportion of chargeable time spent on: Assurance work Consultancy work	95% 5%	100% 0%
IA3	Proportion of agreed assurance reviews: Delivered Underway	95% N/A	4% 31%
IA4	Number of agreed actions that are: a) Not yet due b) Implemented c) Outstanding	N/A N/A N/A	17 23 12
IA5	Proportion of agreed actions implemented	90%	65.7%

## 8. Review of the Internal Audit Plan

- 8.1 Monitoring of the delivery of planned work is built into the team's processes with individual officer time recording data feeding into an automated performance monitoring workbook; this tracks the performance of the team against the internal audit work plans and enables the Internal Audit Manager to plan and support officers to deliver their individual work plans.
- 8.2 Projection of the resources that will be available to the year-end are calculated at least quarterly and compared to the original forecasts. This determines any impacts on projected resources that would impact on delivery of the internal audit plan.
- 8.3 As noted in paragraph 4.4, we are projecting a loss of approximately 45 days from the estimated resource. The review of Urgent Care Provision is no longer suitable to go ahead as it has now been

identified that there are no controls within the council that could be reviewed, so its removal is proposed.

- 8.4 This will account for 15 days of lost resource and the remainder has been accounted for through adjustments to allowances to other work rather than a reduction in the number of assurance reviews.

## 9. Follow up of agreed actions

- 9.1 Where the work of the team finds opportunities to strengthen the council's risk management, governance and/or control arrangements, the team agree actions for improvement with Service Managers. The Standards require that: *Internal audit must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology.*
- 9.2 Service Managers are asked to provide an update on action taken towards implementing all actions due on a monthly basis and are also asked to supply evidence in respect of all completed High priority actions, which is verified by the Internal Audit Team.
- 9.3 The first of the two tables below details the current position in relation to the follow up process and the second details actions that are now more than six months over their planned implementation date; along with an update from the relevant Service Manager/Assistant Director/Director. Some may also contain details of request for revised implementation dates.



## Status of agreed actions

Audit & Counter Fraud Review title	Overall opinion and number of actions of each priority agreed with management	Proportion of actions due for implementation where a positive management response has been received
Tree Service	<b>Opinion: Red</b> Eight actions agreed: Seven <b>high</b> and one <b>medium</b> priority.	Although eight actions were originally agreed, one has since been cancelled with the service tolerating the level of risk. Seven actions due, six completed. One <b>high</b> priority outstanding.
Petty Cash	Opinion: <b>Amber</b> . One <b>high</b> priority action agreed.	One action due, none completed. One <b>high</b> priority outstanding.
Adult Social Care Supported Living	Opinion: <b>Amber</b> . Five actions agreed: Four <b>high</b> and one <b>medium</b> priority.	Four actions due, four completed.
Staff Travel & Subsistence	Opinion: <b>Red</b> . Two actions agreed: One <b>high</b> and one <b>low</b> priority.	Two actions due, none completed. One <b>high</b> and one <b>low</b> priority outstanding.
Caldicott Guardian	Opinion: <b>Green</b> . Six actions agreed: One <b>high</b> and five <b>low</b> priority.	All actions now complete.
Fostering Payments	Opinion: <b>Amber</b> . Five actions agreed: One <b>high</b> , three <b>medium</b> and one <b>low</b> priority.	Five actions due, four completed. One <b>low</b> priority outstanding
Balfour Infant School	Opinion: <b>Amber</b> . Five actions agreed: Two <b>high</b> and three <b>medium</b> priority.	All actions now complete.
St Marys Catholic Primary School	Opinion: <b>Amber</b> . Nine actions agreed: Six <b>high</b> , two <b>medium</b> and one <b>low</b> priority.	Nine actions due, eight completed. One <b>high</b> priority outstanding.
St William of Perth Catholic Primary School	Opinion: <b>Red</b> . 14 actions agreed: Five <b>high</b> , six <b>medium</b> and three <b>low</b> priority.	All actions now complete.
Health & Safety	Opinion: <b>Red</b> . Nine actions agreed: Two <b>high</b> and seven <b>medium</b> priority.	Three <b>medium</b> priority completed before report finalised. Nine actions due, seven completed. Two <b>medium</b> priority outstanding.
Complaints	Opinion: <b>Amber</b> . Five actions agreed: Three <b>high</b> , one <b>medium</b> and one <b>low</b> priority.	Five actions due, four completed. One <b>high</b> priority outstanding
Residential Mobile Home Site Licencing	Opinion: <b>Amber</b> . Five actions agreed: Two <b>high</b> and three <b>medium</b> priority.	Five actions due, three completed. One <b>high</b> and one <b>medium</b> priority outstanding.
Homes for Independent Living Scheme	Opinion: <b>Amber</b> . Six actions agreed: One <b>high</b> , three <b>medium</b> and two <b>low</b> priority.	Six actions due, five completed. One <b>medium</b> priority outstanding.
Adult Social Care – Debt Recovery	Opinion: <b>Red</b> .	No actions due in reporting period.

Audit & Counter Fraud Review title	Overall opinion and number of actions of each priority agreed with management	Proportion of actions due for implementation where a positive management response has been received
	Five actions agreed: Four <b>high</b> and one <b>medium</b> priority.	
Housing Benefit & CTR Administration	Opinion: <b>Green</b> . Two actions agreed: One <b>medium</b> and one <b>low</b> priority.	No actions due in reporting period.
Unregistered Placements	Opinion: <b>Green</b> . One <b>medium</b> priority action agreed.	No actions due in reporting period.
Private Housing Enforcement	Opinion: <b>Red</b> . Ten actions agreed: Eight <b>high</b> , one <b>medium</b> and one <b>low</b> priority.	Two actions completed before report finalised. No other actions due in reporting period.
Adult Social Care – Assessments & Reviews of Financial Support	Opinion: <b>Green</b> . One <b>medium</b> priority action agreed.	No actions due in reporting period.

### Actions outstanding more than six months after scheduled implementation date

Directorate	Audit title	Action	Priority	Planned implementation date	Management update
RCE	Tree Service	The Tree Policy should be updated to include the council's commitment to tackling climate change, recognising Norse as the council's contractor and any other relevant changes.	<b>High</b>	<del>31 March 2023</del> Revised <del>31 December 2023</del> Revised 31 March 2025	The policy is still being discussed with Portfolio holder and is not yet agreed. Due to work on the Local Plan and associated policies, the Tree Policy will not be reported to Cabinet before September 2025
BSD	Petty Cash	Decision to be made on whether the council will continue the use of petty cash. If the use of Petty cash is to remain the following points will be addressed: <ul style="list-style-type: none"> <li>Investigations to be undertaken into maintaining the existing or purchasing a new safe to ensure that the safe code can be changed in line with a set frequency and/or when a member of staff no longer requires access.</li> <li>Arrangements to be made to ensure that all cash is kept in one secure location, ensuring this is in line with insurance cover.</li> <li>Arrangements to be made to update the New Cash Advance Form and review the Petty Cash</li> </ul>	<b>High</b>	<del>30 June 2024</del> Revised 30 June 2025	The majority of the points in this action have now been completed, with only the cash advance form and review of the Petty Cash Account Regulations and Guidelines outstanding. New digital travel warrants are currently being piloted, so this element will be completed once formal roll out of the digital warrants has taken place.

Directorate	Audit title	Action	Priority	Planned implementation date	Management update
		Account Regulations and Guidelines available on TopDesk to reflect that staff reimbursements are now the usual method for reimbursement, rather than petty cash. <ul style="list-style-type: none"> <li>• Procedures for chasing receipts for cash advances to be reviewed, including introducing an escalation process where needed.</li> <li>• The arrangements for processing cash advances / reconciling the main 'petty cash' tin to be reviewed to ensure segregation of duties.</li> </ul>			
BSD	Staff Travel & Subsistence	Historic reclaimable VAT reports to be reviewed to determine the value of VAT previously claimed for electric vehicles and ensure appropriate action is taken accordingly, in liaison with the Finance team.	Low	<del>31 December 2023</del> Revised 31 December 2024	An initial cursory review suggests that there is likely to be minimal reclaimable VAT but a full review will be done ASAP.
BSD	Staff Travel & Subsistence	A review to be undertaken to ensure that there is an appropriate framework to support authorising managers in ensuring that travel & subsistence claims are only paid in appropriate circumstances.	High	<del>31 December 2023</del> Revised 28 February 2025	XX
People	St Mary's Catholic Primary School	Arrangements will be made to review the bank signatories and online bank account, ensuring that there is a third signatory available.	High	31 October 2024	Based on the update provided, this action has been completed but the school are having difficulties with their bank in relation to evidence that authorised signatories for cheques has been amended. Evidence of online banking changes have been provided.

## Definitions of audit opinions & action priorities

Opinion	Definition
<b>Green</b> – Risk management operates effectively, and objectives are being met	Reasonable assurance can be provided that effective governance, risk management and control processes are in place within the activity under review. The combination of control weaknesses identified (if any) are considered to present minimal risk to the achievement of the objectives for the activity under review, or the council's wider strategic objectives.
<b>Amber</b> – Key risks are being managed to enable the key objectives to be met	Reasonable assurance can be provided that governance, risk management and control processes are in place within the activity under review, but improvements are required to ensure their effectiveness and/or to address gaps in coverage. The combination of control weaknesses identified are considered to present moderate risk to the achievement of the objectives for the activity under review, or the council's wider strategic objectives.
<b>Red</b> – Risk management arrangements require improvement to ensure objectives can be met	Limited assurance can be provided that effective governance, risk management and control processes are in place within the activity under review. The combination of control weaknesses identified is considered to present significant risk to the achievement of the objectives for the activity under review, or the council's wider strategic objectives, and/or exposes the council to significant risk of legal / legislative / regulatory breaches, unacceptable levels of fraud / loss / error, or reputational damage.

Priority	Definition
<b>High</b>	The action addresses a control weakness that presents a significant risk (i.e. the likelihood of the risk occurring and/or impact on the council's governance, risk management and control processes is considered to be high). Management should address the action as a matter of priority.
<b>Medium</b>	The action addresses a control weakness that presents a moderate risk (i.e. the likelihood of the risk occurring and/or impact on the council's governance, risk management and control processes is considered to be medium). Management should address the action within a reasonable timeframe.
<b>Low</b>	The action addresses a control weakness that presents a small risk (i.e. the likelihood of the risk occurring and/or impact on the council's governance, risk management and control processes is considered to be low). Management should address the action as resources allow.