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

Internal Audit Update

Medway Council

For the period:

01 April – 31 July 2026

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 (GIAS) and the Application Note: GIAS in the UK Public Sector (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 2026-27 have led to the following reviews being finalised:
(Items in italics had full details of the review included in the 2025-26 annual report).

- *Transparency – Opinion: **Amber** (2025-26 review finalised in 2026-27)*
- *St Peters Infant School – Opinion: **Green** (2025-26 review finalised in 2026-27)*
- *Medway Adult education – Financial Support – Opinion: **Green** (2025-26 review finalised in 2026-27)*
- *Burnt Oak Primary School – Opinion: **Amber** (2025-26 review finalised in 2026-27)*
- *STG Building Control - Opinion: **Green** (2025-26 review finalised in 2026-27)*
- *Abbey Court School - Opinion: **Amber** (2025-26 review finalised in 2026-27)*
- *Temporary Accommodation - Opinion: **Amber** (2025-26 review finalised in 2026-27)*

2.2 Of the 11 remaining reviews from 2025-26, three currently have draft reports with clients, two are awaiting a supervisory review of the draft report, three have been subject to supervisory review and are having draft reports prepared, and four are awaiting the initial supervisory review.

2.3 In addition, as of 31 July, seven reviews from the current year had fieldwork underway, with a further review having reached the supervisory review stage, and commencement of the remaining five being arranged with the clients. As a consequence of this work, plan delivery as of 31 July was 3% complete, with a further 22% underway. Full details of the individual reviews can be found in section 5 of this report along with details of any other assurance or advisory work undertaken during the period.

2.4 Follow up of agreed actions has continued and performance as of 31 July stood at 70.9%, with 39 of 55 actions due in the period having been completed. 16 remained outstanding, one of which had failed to be implemented by its revised implementation date; these are being monitored in line with the agreed follow up process. Full details of the progress made in relation to follow up can be found at section 9.

2.5 As all reviews finalised since 1 April were undertaken in 2025-26 and have been included in the annual report, there is no data available to conduct a meaningful analysis for common themes or root causes, but this analysis will be completed as reviews are finalised and reported in future updates.

2.6 We are projecting a loss of approximately 42 days from the projected 651 available at the start of the year. The loss has been managed through the Q3-Q4 planning process; however, amendments to the approved Q1-Q2 plan have been requested due to other changes that were unknown at the time of planning (see section 8).

3. Independence

3.1 The Internal Audit Charter was approved by the Audit Committee in March 2026 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.

3.4 The most recent audit was undertaken by Tonbridge & Malling Borough Council in 2018-19. However, Medway is one of a number of Local Authorities make up a collective that has been approved by the Public Sector Fraud Authority to assess their staff against the professional requirements that form the Government Counter Fraud Profession and obtain membership to the Profession.

3.5 The service must be subject to peer review as part of membership audits to demonstrate that we continue to have all appropriate requirements in place to satisfy the PSFA that we are suitable to remain approved assessors and for our staff to remain part of the profession. Our peer review was undertaken by Maidstone Borough council in October 2025, provided positive assurance over our investigative practice.

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, four Internal Auditors (3.78FTE) and two 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 draft Internal Audit Plan for 2026-27 was prepared, was forecasted to provide a total of 1,011 days available for internal audit work (net of allowances for leave, training, management, administration etc.) with the share for Medway being 651 days, along with a further 78 days for management of internal audit activity.

4.3 Net staff days available for Medway for the period 1 April to 31 July 2026 amounted to 361.5 days and 207.0 days (57%) were spent on chargeable internal audit activity. Of this chargeable time, 197.9 days (96%) were spent on audit assurance work and 9.1 days (4%) were spent on advisory 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 42 days from the projected resources available at the start of the year. These losses are primarily linked to annual leave carried forward from 2025-26 exceeding the level anticipated in the 2026-27 resource estimates.

5. Results of planned Internal Audit Work

5.1 The Internal Audit Plan Q1-Q2 2026-27 for Medway was approved by the Audit Committee in March 2026. 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 2025-26 that has been finalised in 2026-27 (excluding those detailed in the annual report for 2025-26) and the progress of work undertaken as part of the 2026-27 Q1-Q2 plan during the period.

2025-26 Planned Assurance Work Finalised in 2026-27 (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.

2026-27 Planned Assurance Work

Ref	Title	Number of days allocated	Number of days used	Current status	Opinion, summary of findings & actions agreed
1	Care Transitions	27	N/A	Fieldwork underway	The review will consider the following risk(s): **Risk One – There is insufficient oversight, coordination and governance of care transitions between Children's Services / Education & SEND and Adult Social Care.** **Risk Two – There are ineffective arrangements in place to manage care transitions between Children's Services / Education & SEND and Adult Social Care.**
2	HMO Licensing & Enforcement	15	N/A	Not yet started	Review currently deferred to Q3 at the request of the service and swapped with Housing Rent Administration & Collection which was scheduled for inclusion on the Q3-Q4 Plan (see item 16).
3	Child Safeguarding	15	N/A	Proposal to remove	See section 8.
4	Council Tax Recovery	15	N/A	Fieldwork underway	The review will consider the following risk(s): **Risk One – There are ineffective arrangements to recover unpaid Council Tax.**
5	Business Rates Recovery	15	N/A	Fieldwork complete, awaiting supervisory review	The review considered the following risk(s): **Risk One – Arrangements to recover unpaid business rates are ineffective.**
6	IT Disaster Recovery	15	N/A	Fieldwork underway	The review will consider the following risk(s): **Risk One – There is not an effective IT Disaster Recovery Plan in place.** **Risk Two – Key services cannot be reinstated in the event of disruption.**

Ref	Title	Number of days allocated	Number of days used	Current status	Opinion, summary of findings & actions agreed
7	Cyber Security	15	N/A	Terms of Reference being prepared	
8	Children in Care - Care Planning & Reviews	22	N/A	Terms of Reference being prepared	
9	One Medway Lettings	17	N/A	Fieldwork underway	The review will consider the following risk(s): **Risk One - One Medway Lettings' services are not managed effectively.**
10	Quality Assurance Framework	17	N/A	Fieldwork underway	The review will consider the following risk(s): **Risk One – There are insufficient arrangements in place to quality assure the adult social care providers used by Medway Council and meet associated duties under the Care Act 2014.**
11	Business Continuity Planning	15	N/A	Terms of Reference being prepared	
12	Adult Social Care - Assessments & Reviews of Care Packages	15	N/A	Terms of Reference being prepared	
13	Staff Sickness Absence Reporting & Monitoring	15	N/A	Fieldwork underway	The review will consider the following risk(s): **Risk One – Ineffective arrangements exist for the reporting, recording, and monitoring of sickness absence.**
14	Environmental Protection - Air Quality	17	N/A	Proposal to remove	See section 8.
15	Temporary Accommodation Acquisition Programme	17	N/A	Terms of Reference being prepared	
16	Housing Rent Administration & Collection	15	N/A	Fieldwork underway	The review will consider the following risk(s): **Risk One – The arrangements in place to set housing rent charges and manage rent accounts are ineffective.** **Risk Two – The arrangements in place to collect and record housing rent income are ineffective.**

Other Assurance Work

Ref	Title	Number of days allocated	Number of days used	Current status	Opinion, summary of findings & actions agreed
	Finalisation of 2025-26 Planned Work	40	N/A	Underway	Work to finalise the remaining reviews from 2025-26 is ongoing with 11 currently outstanding.
	Grant Validations	10	N/A	Underway	Work has begun on validation for the Local Transport Capital Block Funding (Highway Maintenance Block) Specific Grant Determination (2025/26): No.31/7766.
	FIT Plan Validation	7.5	N/A	Underway	The team has provided validation of key actions identified as complete in FIT plan monitoring to provide CMT with independent assurance of progress.
	Responsive Assurance Work	10	N/A	Underway	See table below.

Responsive Assurance Work

Ref	Title	Number of days allocated	Number of days used	Current status	Opinion, summary of findings & actions agreed
	Kyndi Governance Validation (Commenced in 2025-26)	5	7.2	Complete	Validation of the Kyndi self-assessment concluded that governance arrangements are generally in place and broadly aligned with good practice. However, a small number of control and governance improvements are required to ensure full compliance with governing documents and to strengthen the effectiveness of oversight and key processes. The summary report will be presented to the Cabinet Sub-Committee in September 2026.

Follow Up Work

Ref	Title	Number of days allocated	Number of days used	Current status	Opinion, summary of findings & actions agreed
	Follow Up of Agreed Actions	7.5	N/A	Underway	Responsible officers are contacted about outstanding actions on a monthly basis, with all updates/evidence of completion recorded.

Ref	Title	Number of days allocated	Number of days used	Current status	Opinion, summary of findings & actions agreed
					Full details of the outcomes from follow up activity can be found in section 9.

Advisory Work

Ref	Title	Number of days allocated	Number of days used	Current status	Opinion, summary of findings & actions agreed
	Attendance at Corporate Working Groups	2.5	N/A	Underway	The Head of Internal Audit & Counter Fraud has attended meetings for the Risk Management Working Group and the Strategic Security & Information Governance Group.
	Responsive Advisory Work	17.5	N/A	Underway	See table below.

Responsive Advisory Work

Ref	Title	Number of days allocated	Number of days used	Current status	Opinion, summary of findings & actions agreed
	Crisis Resilience Fund	10	N/A	Underway	An advisory review is being conducted to provide advice on the governance, risk management and control processes established for the Crisis and Resilience Fund.
	Medway Together Fund	17	N/A	Underway	An advisory review is being conducted to provide advice on the governance, risk management and control processes established surrounding the new Medway Together Fund.

6. Themes & Root Causes

6.1 Standard 11.3 - Communicating Results of the Standards 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 All completed reviews are analysed to identify common themes and underlying root causes. Since 1 April 2026, seven reviews have been finalised; however, all were undertaken during 2025-26 and have been included in the 2025-26 annual report, contributing to the themes and root causes reported for that year.

6.3 As such, there is no data available to undertake a trend analysis for 2026-27. As reviews are finalised, this analysis will be completed to provide a robust assessment of emerging themes and root causes in future reports.

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%	57%
IA2	Proportion of chargeable time spent on: Assurance work Consultancy work	 95% 5%	 96% 4%
IA3	Proportion of agreed assurance reviews: Delivered Underway	 95% N/A	 3% 22%
IA4	Number of agreed actions that are: a) Not yet due b) Implemented c) Outstanding	 N/A N/A N/A	 44 39 16
IA5	Proportion of agreed actions implemented	90%	70.9%

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 Plan(s) 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(s).

8.3 As noted in paragraph 4.4, we are projecting a loss of approximately 42 days from the estimated resource. This loss has been addressed as part of the Q3-Q4 planning process, however, we are proposing amendment to the Q1-Q2 plan following receipt of new information that was unknown at the time of planning.

- Item 3 – Child Safeguarding – After the Q1-Q2 Plan was agreed, Children's Services advised that work would be ongoing throughout 2026-27 to the review processes linked to this review as part of Children's Social Care reforms; an offer of advisory support was declined as the service are working with a number of other local authorities. The days that were allocated to this review have instead been split between the reviews of Care Transitions (item 1) and Children in Care - Care Planning & Reviews (item 8) to enable a wider scope for the review than was originally planned.
- Item 14 – Environmental Protection - Air Quality – After the Q1-Q2 Plan was agreed we were advised that Air Quality Monitoring has been subject to an external inspection. As such, reliance will be placed upon this inspection.

9. Follow up of Agreed Actions

9.1 Where the work of the team finds opportunities to strengthen the council's governance, risk management and/or internal control arrangements, the team agree actions for improvement with Heads of Service. 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 Heads of Service 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 Due to the timing of report deadlines, the first of the two tables below details the position in relation to the follow up process as of 31 July 2026 and the second details actions were more than six months over their planned implementation date, or had failed to meet a revised implementation date, as of 31 July 2026; along with an update from the relevant Head of Service/Assistant Director/Director. Some may also contain details of request for revised implementation dates.

Status of Agreed Actions

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	**Opinion: Red** Eight actions agreed: Seven **high** and one **medium** priority.	Although eight actions were originally agreed, one has since been cancelled with the service tolerating the level of risk. The one remaining high priority action had a revised implementation date agreed by the Audit Committee in January 2026.
Petty Cash	Opinion: **Amber**. One **high** priority action agreed.	One **high** priority outstanding.
Staff Travel & Subsistence	Opinion: **Red**. Two actions agreed: One **high** and one **low** priority.	The one remaining **high** priority action had a revised implementation date agreed by the Audit Committee in January 2026.
Residential Mobile Home Site Licencing	Opinion: **Amber**. Five actions agreed: Two **high** and three **medium** priority.	Four actions due, four completed. The one remaining **high** priority action had a revised implementation date agreed by the Audit Committee in January 2026.
Private Housing Enforcement	Opinion: **Red.** Ten actions agreed: Eight **high**, one **medium** and one **low** priority.	Two actions completed before report finalised. Eight actions due, four completed. Four **high** priority actions outstanding.
Business Rates Administration & Collection	Opinion: **Green**. Three **low** priority actions agreed.	All actions completed.
Floating Support	Opinion: **Green**. One **low** priority action agreed.	All actions completed.
St Augustine of Canterbury Catholic Primary School	Opinion: **Amber**. Eight actions agreed: Four **high,** two **medium** and two **low** priority.	One action completed before report finalised. six actions due, five completed. One **high** priority outstanding.
Homelessness	Opinion: **Green**. Three actions agreed: Two **medium** and one **low** priority.	All actions completed.
Payroll	Opinion: **Green**. Four **medium** priority actions agreed.	All actions completed.
Governance Framework	Opinion: **Amber**. Three **medium** priority actions agreed.	No actions due in reporting period.
Street Lighting	Opinion: **Amber**. One **medium** priority action agreed.	No actions due in reporting period.

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
Budget Monitoring (Revenue)	Opinion: **Green**. Two actions agreed: One **medium** and one **low** priority.	No actions due in reporting period.
Rough Sleeping Service	Opinion: **Amber**. Six actions agreed: One **high**, four **medium** and one **low** priority.	Five actions due, three completed. Two **medium** priority outstanding.
Special Guardianship Orders	Opinion: **Amber**. Nine actions agreed: Three **high**, five **medium** and one **low** priority.	Three actions due, three completed.
St Marys Island CofE Primary School	Opinion: **Amber**. Ten actions agreed: Three **high**, four **medium** and three **low** priority.	Two actions completed before report finalised. Three actions due, three completed.
Children in Care – Savings Provision	Opinion: **Amber**. Ten **high** priority actions agreed.	One action completed before report finalised. Seven actions due, one completed. Six **high** priority outstanding.
General Data Protection Regulation	Opinion: **Amber**. Six actions agreed: One **high**, three **medium** and two **low** priority.	All actions completed.
Information Governance – Data Breaches	Opinion: **Amber**. Three actions agreed: Two **medium** and one **low** priority	One action completed before report finalised. Two actions due, two completed. One **medium** and one **low** priority outstanding.
Transparency	Opinion: **Amber**. Two **medium** priority actions agreed.	No actions due in reporting period.
St Peters Infant School	Opinion: **Green**. Four actions agreed: One **high**, two **medium** and one **low** priority.	All actions completed.
Abbey Court School	Opinion: **Amber**. Eight actions agreed: Six **medium** and two **low** priority.	Four actions completed before report finalised. No actions due in reporting period.
Medway Adult Education – Financial Support	Opinion: **Green**. Three **low** priority actions agreed.	No actions due in reporting period.
STG Building Control	Opinion: **Green**. Two actions agreed: One **medium** and one **low** priority.	All actions completed before report finalised.
Temporary Accommodation	Opinion: **Amber**. 11 actions agreed: Two **high**, six **medium** and three **low** priority.	One action completed before report finalised. No actions due in reporting period.

Actions Outstanding More Than Six Months After Scheduled Implementation Date

Directorate	Title	Action	Priority	Planned implementation date	Management update
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: • 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. • Arrangements to be made to ensure that all cash is kept in one secure location, ensuring this is in line with insurance cover. • Arrangements to be made to update the New Cash Advance Form and review the Petty Cash Account Regulations and Guidelines available on TopDesk to reflect that staff reimbursements are now the usual method for reimbursement, rather than petty cash. • Procedures for chasing receipts for cash advances to be reviewed, including introducing an escalation process where needed. • The arrangements for processing cash advances / reconciling the main 'petty cash' tin to be reviewed to ensure segregation of duties.	**High**	~~30 June 2024~~ Revised ~~30 June 2025~~ Revised 31 March 2026	The only element of this action outstanding is; • Arrangements to be made to update the New Cash Advance Form and review the Petty Cash Account Regulations and Guidelines available on TopDesk to reflect that staff reimbursements are now the usual method for reimbursement, rather than petty cash. This is expected to be complete by the end of September 2026.

Definitions of Audit Opinions & Action Priorities

Opinion	Definition
Green – 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.
Amber – 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.
Red – 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 expose the council to significant risk of legal / legislative / regulatory breaches, unacceptable levels of fraud / loss / error, or reputational damage.

Priority	Definition
High	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.
Medium	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.
Low	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.