

## AUDIT COMMITTEE

22 MARCH 2016

### AUDIT & COUNTER FRAUD CHARTER

Report from: Katey Arrowsmith, Head of Audit & Counter Fraud  
(Chief Audit Executive)

#### Summary

This report presents the Audit & Counter Fraud Charter for Members approval.

#### 1. Budget and Policy Framework

- 1.1. Council delegates responsibility for the oversight and monitoring of internal audit and counter fraud to the Audit Committee.

#### 2. Background

- 2.1. The Public Sector Internal Audit Standards (Standards) state that: *The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and The Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.*
- 2.2. Medway Council has had an Internal Audit Charter in place for many years. From 1 March 2016 the previously distinct internal audit and investigations teams will be delivered by the Audit & Counter Fraud Shared Service with Gravesham Borough Council. One Charter has been prepared to covers the performance and development of the team as a whole and is therefore not specific to each council.

#### 3. Review of the Charter

- 3.1. Medway's existing Internal Audit Charter was approved by the Audit Committee in July 2014. The Charter has been revised to reflect both the integration of counter fraud and the shared service with Gravesham Borough Council and has been designed to meet the requirements of the Standards and CIPFA's Local Government Application Note to the Public Sector Internal Audit Standards.

- 3.2. The Charter will be reviewed and presented to the Audit Committee on an annual basis, to ensure it continues to reflect current arrangements and retains its status.

#### **4. Risk management**

- 4.1. The Audit & Counter Fraud Team provides a key source of assurance for the council on the adequacy and effectiveness of its arrangements to manage risk and achieve its objectives.
- 4.2. The Charter establishes the purpose, authority and responsibility of the Audit & Counter Fraud function. It is therefore important that the council periodically reviews the Charter to ensure that the function is effective in delivering its responsibilities to the council and that the Charter itself is compliant with proper practice.

#### **5. Financial implications**

- 5.1. An adequate and effective Audit & Counter Fraud function provides the council with assurance on the proper, economic, efficient and effective use of resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the council.

#### **6. Legal implications**

- 6.1. The Accounts & Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Section 151 Officer of a local authority is responsible for establishing the internal audit service. Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council to deliver internal audit services through the Shared Service to both authorities. The Public Sector Internal Audit Standards are supported by CIPFA's Local Government Application Note to the Public Sector Internal Audit Standards.
- 6.2. The Charter is based upon the requirements set out in the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

#### **7. Recommendations**

- 7.1. Members approve the Audit & Counter Fraud Charter provided at Appendix A.

#### **Lead officer contact**

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#### **Appendices**

Appendix A – Audit & Counter Fraud Shared Service Charter

**Background papers:** None