
Audit & Counter Fraud Charter

Medway Council &
Gravesham Borough Council

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I. Introduction

The Audit & Counter Fraud Shared Service for Medway Council and Gravesham Borough Council was formed on 1 March 2016. This Charter establishes the purpose, authority and responsibilities of the team to deliver audit work including rights of access. It also sets out the team's position in the organisations including functional and operational reporting lines.

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.

For the purposes of the Public Sector Internal Audit Standards (PSIAS) the board is defined as the Audit Committee for Medway Council and the Finance & Audit Committee for Gravesham Borough Council. Senior Management is defined as the Corporate Management Team for Medway Council and the Management Team for Gravesham Borough Council.

II. Authority

Internal audit is a statutory requirement for local government; 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 Audit & Counter Fraud Shared Service is sponsored by the Section 151 Officers of both Medway Council and Gravesham Borough Council, and is responsible to the Audit Committee of Medway Council and the Finance & Audit Committee of Gravesham Borough Council (the Audit Committees).

The Audit & Counter Fraud Shared Service will comply with the mandatory elements of the CIIA Professional Practices Framework; the definition of internal audit, the Code of Ethics and the Standards, for local government these are the Public Sector Internal Audit Standards.

The Audit & Counter Fraud Shared Service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all records, physical properties, and personnel of Medway Council and Gravesham Borough Council pertinent to carrying out any engagement. The service will also have direct access to the Chairs of the Audit Committees.

III. Responsibility & scope of work

The Audit & Counter Fraud Shared Service is responsible for the delivery of internal audit services in line with the Public Sector Internal Audit Standards (the Standards) and for the delivery of counter-fraud and investigation services in line with relevant legislation and best practice. The service will deliver these services in compliance with the Code of Ethics set out by the CIIA.

Key responsibilities include:

- Developing a flexible risk-based Audit & Counter Fraud Plan in consultation with senior management and presented annually to the Audit Committees for approval,
- Delivering high quality assurance work focussed on the effectiveness of governance arrangements, risk management and control to help the organisations to achieve their objectives,
- Delivering an effective counter fraud service including proactive counter-fraud activity, the detection and investigation of cases of suspected fraud and irregularity,
- Providing responsive consultancy services, acting as a critical friend and the provision of advice & information on matters relating to governance, risk and control,
- Providing the single point of contact for external bodies investigating fraud including the Department for Work & Pensions Fraud & Error Service, Police and other Local Authorities,
- Liaison with external auditors and other assurance providers to seek optimal assurance coverage.

In line with the Public Sector Internal Audit Standards, the Head of Audit & Counter Fraud (as Chief Audit Executive) will report annually with an opinion on the overall control environment of each council, supporting the Annual Governance Statement and Statement of Accounts.

IV. Reporting lines

The Head of Audit & Counter Fraud reports functionally to the Audit Committees , reports in her own name to these Committees, and has direct rights of access to the Chairs of these Committees. The Audit Committees will:

- Approve the Audit & Counter Fraud Charter,
- Approve the risk based Audit & Counter Fraud Plan,
- Approve the Audit & Counter Fraud resource budget,
- Receive reports from the Head of Audit & Counter Fraud on the Service's performance relative to its plan and other matters,
- Receive the annual opinion on the overall control environment of each council.

The Head of Audit & Counter Fraud reports administratively to the Chief Finance Officer (and S151 Officer) of Medway Council and the Director – Corporate Services (and S151 Officer) of Gravesham Borough Council.

V. Independence & objectivity

The Audit & Counter Fraud Shared Service will remain free from interference by any element in the organisation, including matters of the selection, scope, procedures, frequency, timing, or report content of work to permit maintenance of a necessary independent and objective mental attitude.

Audit & Counter Fraud Officers will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

Given its responsibilities for counter-fraud activities, the Audit & Counter Fraud Shared Service 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.

Audit & Counter Fraud Officers will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Officers will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Audit & Counter Fraud will confirm to the Audit Committees of each authority, at least annually, the organisational independence of the Audit & Counter Fraud Shared Service.

VI. Audit & Counter Fraud Plan

At least annually, the Head of Audit & Counter Fraud will prepare and submit to senior management and the Audit Committees an Audit & Counter Fraud Plan for review and approval. The plan will consist of a work schedule and a resource budget for the period, and will note the impact of any resource limitations.

The Audit & Counter Fraud Plan will be prepared following an assessment of the authorities' objectives, identified risks and a risk assessment of functions and services, including input of senior management. The Head of Audit & Counter Fraud will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved Plan will be communicated through periodic activity reports.

VII. Reporting & monitoring

A written report will be prepared and issued by the Head of Audit & Counter Fraud or designee following the conclusion of each proactive engagement. The results of all audit work will be reported to senior management and the Audit Committees through routine activity reports and an Annual Report.

The Audit & Counter Fraud Shared Service will ensure findings and recommendations made are followed up, will report to senior management and the Audit Committees on the outcomes of this work and will follow an escalation process to address any significant findings that remain open.

VIII. Quality Assurance & Improvement Programme

The Audit & Counter Fraud Shared Service will maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the activity. The program will include an evaluation of the conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether Officers apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the activity and identifies opportunities for improvement. The Head of Audit & Counter Fraud will communicate to senior management and the Audit Committees on the QAIP.