

AUDIT COMMITTEE

21 MARCH 2017

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. The Audit & Counter Fraud Charter in place was approved by the Audit Committee on 15 March 2016.

3. Review of the Charter

- 3.1. During the 2016-17 year, a robust self-assessment has been carried out to determine the level of compliance of the team's activities with the Standards. To fully comply, an external assessment of compliance with the Standards must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Audit & Counter Fraud Shared Service will commission this assessment in 2017-18 and the Committee will receive a copy of the final report following the assessment.
- 3.2. The Charter has been revised to reflect both the integration of counter fraud and the shared service with Medway 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. Additions to the Charter are highlighted on the copy attached at Appendix 1. The Charter will be reviewed and presented to the Finance & 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 1.

Lead officer contact

Katey Arrowsmith, Head of Audit & Counter Fraud Shared Service
katey.arrowsmith@medway.gov.uk

Appendices

Appendix 1 – Audit & Counter Fraud Shared Service Charter

Background papers

Nil