

AUDIT COMMITTEE

27 JUNE 2019

AUDIT AND COUNTER FRAUD ANNUAL REPORT 2018-19

Report from: Phil Watts, Chief Finance Officer

Author: James Larkin, Head of Audit and Counter Fraud
Shared Service (Chief Audit Executive)

Summary

This report informs Members of the Audit and Counter Fraud work completed during 2018-19 and presents the opinion of the Head of Audit and Counter Fraud Shared Service, as Chief Audit Executive, on the Council's internal control environment.

1. Budget and Policy Framework

1.1 Council delegates responsibility for the oversight and monitoring the effectiveness of the Audit and Counter Fraud Shared Service to the Audit Committee.

2. Background

2.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. The Annual Audit and Counter Fraud Report 2018-19 has been prepared for the authority to meet this requirement.

2.2 Since 1 March 2016 the Council's internal audit activity has been delivered by the Audit and Counter Fraud Shared Service with Gravesham Borough Council.

3. Annual report

3.1 The Audit and Counter Fraud Shared Service has provided update reports to Members at three meetings of the Audit Committee in 2018-19. This Annual Report reproduces the findings reported in those update reports along with the results of work carried out since the last update, to provide Members with a summary of all work delivered by the team in the year.

3.2 The Annual Report is intended to provide Members with sufficient details of the results of the work of the team to support the opinion of the Chief Audit Executive on the adequacy and effectiveness of the Council's overall control environment.

- 3.3 The report has been prepared in line with the requirements of the PSIAS.
- 3.4 Members' attention is drawn to the outcomes of the review of the counter fraud function, which is listed in the table at section 34 of the annual report at Appendix 1. The review was undertaken independently by Tonbridge and Malling Borough Council (TMBC) and their assurance opinion structure differs from that used by the Medway and Gravesham Shared Service. Appendix 2 sets out the TMBC opinion structure for Members' reference in respect of that individual review.
- 3.5 This report, summarising the work of the Audit and Counter Fraud team, provides a key source of assurance for the Council on the adequacy and effectiveness of its internal control arrangements.

4. Risk management

- 4.1. This report, summarising the work of the Audit & Counter Fraud team, provides a key source of assurance for the council on the adequacy and effectiveness of its internal control arrangements.

5. Financial implications

- 5.1. An adequate and effective Audit and Counter Fraud function provides the Council with assurance on the proper, economic, efficient and effective use of council 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 and 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.

7. Recommendations

- 7.1. Members are requested to;
1. Note the work undertaken by the Audit and Counter Fraud Shared Service for Medway during 2018-19 in providing an effective service to the Council.
 2. Note the opinion on the Council's internal control environment provided by the Head of Audit and Counter Fraud Shared Service.

Lead officer contact

James Larkin, Head of Audit and Counter Fraud Shared Service

Appendices

Appendix 1 - Audit and Counter Fraud Annual Report 2018-19.

Appendix 2 – Tonbridge and Malling BC Assurance Opinions

Background papers

None