

## **AUDIT COMMITTEE**

**30 JULY 2020**

### **REVIEW OF AUDIT & COUNTER FRAUD QUALITY ASSURANCE & IMPROVEMENT PROGRAMME**

Report from:

James Larkin, Head of Audit & Counter Fraud Shared Service (Chief Audit Executive)

#### **Summary**

This report presents the results of the review of the Audit & Counter Fraud Shared Service Quality Assurance & Improvement Programme.

#### **1. Budget and Policy Framework**

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

#### **2. Background**

- 2.1. The Public Sector Internal Audit Standards (Standards) require that: The Chief Audit Executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. On 8 January 2019, the Audit Committee approved the Quality Assurance & Improvement Programme (QAIP) prepared to meet this requirement.

#### **3. Review of the QAIP**

- 3.1. The QAIP was prepared to reflect both the integration of counter fraud and the shared service with Gravesham Borough Council and was 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 QAIP has been reviewed and is considered to continue to meet these requirements and will therefore continue to be in place for the coming financial year, subject to the following proposed amendments.

3.2.1. Section IV has been updated to reflect that the service was subject to an External Quality Assessment of the internal audit function in February 2018 and an independent audit review of the counter fraud function in 2018-19.

3.2.2. The description of performance measure PM9 has been updated to provide more clarity over what is being reported. The aim of this measure

is to demonstrate the amount of time being spent on audit reviews and counter fraud or other investigative activities but the title of the amount of time spent on 'productive' work has the consequence of suggesting that the service does nothing for a percentage of its time. This is actually time that the officers spend on other duties linked to their role as Council employees, such as keeping up to date with corporate policies. It is therefore proposed that the reference is changed to chargeable time to make it clear that this is time spent on work with other services.

3.2.3. The targets of 65% and 35% for PM10 and PM11 respectively have been removed. While the annual Audit & Counter Fraud Plans will still be set with the projected resources split as 65% audit and 35% fraud, the time spent in each area during the course of the year is dictated by the levels of work and the risks that need to be addressed to provide an effective service. The percentage outturn will continue to be reported to Members.

3.2.4. The removal of PM13 is proposed as it is not felt to be a meaningful statistic. Day allocations for individual audits are set at the start of the year as part of the planning process but until the audits commence, it is impossible to determine what could arise during the course of a review. In general, audits exceeding their day allocation is the result of issues that arise and must be looked into further. Some audits are completed well under budget while some others go over, meaning the net result at the end of the year is unchanged. Members will still be provided with the allocated budgets and days used for individual audits, so that appropriate questions can be asked and the information will still be used for performance management purposes as appropriate.

3.3. A copy of the QAIP with the proposed amendments shown as track changes can be found at Appendix 1.

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

4.1. The Public Sector Internal Audit Standards require that: The Chief Audit Executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. A Quality Assurance & Improvement Programme (QAIP) has been prepared to meet this requirement. The QAIP is intended to ensure that the service is developed in line with the aspirations of those charged with governance at Medway Council and Gravesham Borough Council.

#### **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 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 & 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.

## **7. Recommendation**

- 7.1. Members approve the amended Quality Assurance and Improvement Programme for 2020-21 presented at Appendix 1.

### **Lead officer contact**

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### **Appendices**

Appendix 1 - Audit & Counter Fraud Quality Assurance & Improvement Programme for 2020-21.

### **Background papers**

None