

Classification: Part A

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee

Date: 11 June 2019

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

Subject: Audit & Counter Fraud Annual Report 2018-19

Purpose and summary of report:

To inform Members of the Audit & Counter Fraud work completed during 2018-19 and to present the opinion of the Head of Audit & Counter Fraud Shared Service, as Chief Audit Executive, on the council's internal control environment.

Recommendations:

Members are requested to:

1. Endorse the work undertaken by the Audit & Counter Fraud Shared Service for Gravesham during 2018-19 in providing an effective service to the council.
2. Consider and endorse the opinion on the council's internal control environment provided by the Head of Audit & Counter Fraud Shared Service.

1. Background

- 1.1 The Public Sector Internal Audit Standards 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 & Counter Fraud Report 2018-19 has been prepared for the authority to meet this requirement.
- 1.2 Since 1 March 2016 the council's internal audit activity has been delivered by the Audit & Counter Fraud Shared Service with Medway Council

2. Preparation of the Annual Report

- 2.1 The Audit & Counter Fraud Shared Service has provided update reports to Members at three meetings of the Finance & 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.
- 2.2 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.

- 2.3 The report has been prepared in line with the requirements of the PSIAS.
- 2.4 Members attention is drawn to the outcomes of the review of the counter fraud function, which is listed in the table at section four of the annual report. The review was undertaken independently by Tonbridge & Malling Borough Council (TMBC) and their assurance opinion structure differs from that used by the Gravesham & Medway Shared Service. The table below sets out the TMBC opinion structure for Members reference in respect of that individual review.

	High	There is a sound system of control operating effectively to achieve service/system objectives. Any issues identified are minor in nature and should not prevent system/service objectives being achieved.
	Substantial	The system of control is adequate and controls are generally operating effectively. A few weaknesses in internal control and/or evidence of a level of non-compliance were noted during the audit that may put a system/service objective at risk.
	Adequate	The system of control is sufficiently sound to manage key risks. However, there were weaknesses in internal control and/or evidence of a level of non-compliance with some controls that may put system/service objectives at risk.
	Limited	Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
	No Assurance	The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant error or loss and/or misappropriation. This means we are unable to form a view as to whether objectives will be achieved.

3. BACKGROUND PAPERS

- 3.1 Nil

IMPLICATIONS	APPENDIX 1
Legal	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.
Finance and Value for Money	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.
Risk Assessment	The Public Sector Internal Audit Standards require that: The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. 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.
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. No</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p>

	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Corporate Plan	The work of the Audit & Counter Fraud Team supports the council in achieving all of its objectives set out in the Corporate Business Plan but is particularly relevant to Objective 4: Sound & self-sufficient council.
Crime and Disorder	The Audit & Counter Fraud Team provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisations' objectives. The work of the team combined with a sound internal control environment has a positive contribution to community safety in its broadest sense.
Digital and website implications	<p>The council's performance management framework includes the publication of the outturns against the Performance Measures and Indicators in the Corporate Business Plan. The proportion of recommendations made by the Audit & Counter Fraud Team that are implemented by Management is one of the council's overall Performance Indicators (PI141) and is therefore reported to the public via the council's Annual Report published on the council's website.</p> <p>The Local Government Transparency Code requires the publication of data relating to Fraud Investigation; this is published in line with the requirements on the council's website.</p>
Safeguarding children and vulnerable adults	There are no direct safeguarding implications to this report.