

**Classification:** Part A

**Key Decision:** No

## **Gravesham Borough Council**

**Report to:** Finance & Audit Committee

**Date:** 12 June 2018

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

**Subject:** Audit & Counter Fraud Annual Report 2017-18

### **Purpose and summary of report:**

To inform Members of the outcomes of the External Quality Assessment conducted by Gateway Assure in February 2018.

### **Recommendations:**

Members are requested to:

1. Endorse the work already undertaken in relation to recommendations R2, R5, R6, R7, R8, R9, R10, R12, R15, R16 and R17, and the proposed actions to be taken by the audit & counter fraud team in relation to recommendations R1, R3, R4 and R11.
2. Approve the proposed changes to recommendation priorities as per recommendations R13.
3. Provide opinions in relation to recommendation R14 and whether they are happy for low priority recommendations to be mentioned in reports rather than formally recorded.

### **1. Background**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that at least once every five years, providers of internal audit services must have an External Quality Assessment (EQA). This assessment measures the services compliance with the PSIAS and provides recommendations for improvement as appropriate.
- 1.2 Since 1 March 2016 the council's internal audit activity has been delivered by the Audit & Counter Fraud Shared Service with Meway Council. Based on the five year cycle, the service was required to have an EQA conducted during 2017-18.

### **2. External Quality Assessment**

- 2.1 The Audit & Counter Fraud Shared Service was subject to an external quality assessment in February 2018, which assessed the services compliance with the PSIAS. This was broken down into three key areas;

- **Resources:** Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.
  - **Competency:** Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development.
  - **Delivery:** Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels.
- 2.2 The assessment outcomes are graded under a Red, Amber Green (RAG) rating system and for benchmarking purposes are also allocated a score. These being; one for 'Developing' (Red), two for 'Established' (Amber) and three for 'Excelling' (Green).
- 2.3 Benchmarking data provided within the report shows that the average scores within the local government sector are 2.5 for Resources, 2 for Competency and 1.5 for Delivery. This indicates that the Audit & Counter Fraud Shared Service is performing at or above the average levels for its sector.
- 2.4 The full report of the assessor's findings can be found at **APPENDIX 2** of this report.
- 2.5 While the service is performing well in relation to its compliance with the standards, a number of recommendations have been made for further improvement. These are categorised as;
- **Enhance:** The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS in order to demonstrate a contribution to the achievement of the organisations objectives in relation to risk management, governance and control.
  - **Review:** The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
  - **Consider:** The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services.
- 2.6 These recommendations have been entered into a matrix, which can be found at **APPENDIX 3**, which also details; any action already taken by the Audit & Counter Fraud Team, action that will be taken by the team in due course and decisions required by Members in order to action recommendations

### 3. BACKGROUND PAPERS

- 3.1 Nil

IMPLICATIONS		APPENDIX 1	
<b>Legal</b>	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.		
<b>Finance and Value for Money</b>	An adequate and effective internal audit 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.		
<b>Risk Assessment</b>	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. This work must be conducted in accordance with the PSIAS. This report provides assurance to the council in relation to the Audit & Counter Fraud team's level of compliance with the PSIAS		
<b>Equality Impact Assessment</b>	<b>Screening for Equality Impacts</b>		
	<b>Question</b>	<b>Answer</b>	<b>Explanation</b>
	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?	<b>No</b>	No impact
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	<b>No</b>	No impact
	c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A
<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>			

<b>Corporate Business Plan</b>	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.
<b>Crime and Disorder</b>	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.
<b>Information Governance</b>	There are no direct digital or website implications to this report.
<b>Safeguarding</b>	There are no direct safeguarding implications to this report.