

<b>Report title:</b> Internal Audit and Counter Fraud Annual Report 2017/18	
<b>Report to:</b> Audit, Governance and Standards Committee	
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<b>Date:</b> 4 June 2018	<b>For:</b> Noting
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<b>County Divisions affected:</b> All Essex	

## **1. Purpose of Report**

- 1.1. The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective internal audit service in accordance with proper practices. The UK Public Sector Internal Audit Standards requires that the Chief Audit Executive (at Essex this is the Head of Assurance) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's control environment (framework of governance, risk management and control).
- 1.2. The Internal Audit and Counter Fraud Annual Report (see Appendix 1) also provides oversight of Internal Audit & Counter Fraud activity for 2017/18.

## **2. Recommendation**

- 2.1. To note the Internal Audit and Counter Fraud Annual Report and the opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

## **3. Summary of the issue**

- 3.1. The overall internal audit opinion of the internal control environment (framework of governance, risk management and internal control) for 2017/2018 is one of **adequate** assurance, which means that although there are some weaknesses which may put individual system/process/service objectives at risk of achievement, there is an overall satisfactory system of internal control, appropriately designed to meet the Council's objectives, and controls are generally being applied consistently.

#### **4. Policy Context**

4.1. The Internal Audit Charter approved by the Audit Committee in December 2017, states that it is the responsibility of the Internal Audit & Counter Fraud Team:

- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved primarily by delivering a risk based plan of audit activity including an assessment of the adequacy and effectiveness of the risk management process
- To provide advice and support to management to enable an effective control environment to be maintained; for example, advice and guidance on new design and implementation control, particularly through periods of organisational change
- To promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud and corruption
- To investigate allegations of fraud, bribery and corruption

4.2 The Head of Assurance is required to report to the Audit Committee on this activity.

#### **5. Financial Implications**

5.1 There are no financial implications as the Internal Audit activity for 2017/2018 was met within existing resources, approved by the Audit Committee in March 2017.

#### **6. Legal Implications**

6.1 Internal audit is a key way in which councillors can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems which have appropriate controls and also helps identify and respond to breaches if they occur. This report seeks to update the Committee on the activities of the Council's Internal Audit and Counter Fraud service for the purposes of providing further assurance.

#### **7. Staffing and Other Resource Implications**

7.1 There are no staffing or resource implications.

#### **8. Equality and Diversity Implications**

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 8.3. Equality and diversity matters have been considered in the production of the Chief Audit Executive's opinion and in the annual report.

## **9. List of Appendices**

Appendix 1 – Internal Audit and Counter Fraud Annual Report 2017/2018