

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

13 April 2010

Report of the Chairman of Audit Committee

Part 1- Public

Delegated

1 COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Summary

This report summarises how the Audit Committee exercise oversight of management's processes for identifying and reporting on the risk of fraud in order to comply with International Standard on Auditing (UK & I) 240.

1.1 Background

1.1.1 The above mentioned standard requires an assurance for the District Auditor that the body charged with corporate governance is fulfilling its role in relation management processes for identifying the risk of fraud and breaches of internal control. Specifically this requires confirmation: -

- How the body charged with corporate governance oversees management processes to identify and respond to such risks, and
- Whether the body charged with corporate governance has knowledge of any actual , suspected or alleged frauds affecting the Council

1.1.2 The responsibilities for corporate governance at Tonbridge & Malling are split between the Audit Committee and the General Purposes Committee so this confirmation needs to be endorsed by both Committees.

1.1.3 A set of specific questions were received from the District Auditor in a letter addressed to the Chairman of the General Purposes Committee. **[Annex 1]**

1.1.4 This letter acknowledges the fact that those charged with governance covers two Committees so the District Auditor suggested that the Audit Committee should consider this assurance at this meeting and recommend to the General Purposes Committee agreement with this assurance at their next meeting in June so that an early opinion can be given to the District Auditor.

1.2 Processes in place

- 1.2.1 The responses have been prepared with input from the Chairman of the General Purposes Committee and the Chairman of the Audit Committee and are attached. **[Annex 2]**
- 1.2.2 Members of this Committee are required to consider this response and satisfy themselves that the Council is compliant with the International Auditing Standards.
- 1.2.3 Management Team are also required provide assurance that the Council complies with these standards. Also contained within the reports to this Committee for information is the management response to the questions asked of them. This will provide Members of the Audit Committee with additional support for their consideration.

1.3 Legal Implications

- 1.3.1 Failure to comply with these standards could leave the Council open to a higher incidence rate of fraud resulting in additional legal costs to resolve.

1.4 Financial and Value for Money Considerations

- 1.4.1 Non-compliance with these standards could result in additional work being required by the Audit Commission to satisfy themselves that fraud and error were being prevented.
- 1.4.2 Any incidents of fraud require in depth investigation and use considerable resources to resolve. Any cost effective action to prevent instances of fraud will result in resources being diverted to deal with them.

1.5 Risk Assessment

- 1.5.1 It is considered that the risk management system in place supported by the policies and internal controls are sufficiently robust to minimise incidents of fraud and ensure compliance with the standards.

1.6 Recommendations

- 1.6.1 It is **RECOMMENDED** that the Audit Committee consider the attached answers in Annex 2 and agree this assurance.
- 1.6.2 Following this agreement, it is **RECOMMENDED** that the Audit Committee request that the General Purposes Committee consider and agree this assurance at their next meeting on 28 June.

Background papers:

contact: David Buckley

Council Constitution

Financial Services working papers

Councillor Mark Rhodes

Chairman of the Audit Committee