

# TONBRIDGE & MALLING BOROUGH COUNCIL

## GENERAL PURPOSES COMMITTEE

27 June 2011

### Report of the Former Chairman of the General Purposes 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 the District Auditor required confirmation of compliance in the following areas: -
- Steps taken to identify and report the risk of fraud
  - Compliance with laws and regulations
  - The "going concern" concept
  - Assessing the risk of material misstatement
- 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 initially at its April meeting and recommend to the General Purposes Committee that they consider and agree this assurance . The District Auditor asked that the initial response be conveyed to him, to help him plan his audit work.

- 1.1.5 A report was duly published for the meeting of the Audit Committee on 12 April but, unfortunately, due to the meeting not being quorate it had to be deferred at late notice. In order to satisfy the urgency of this matter, the (then) Chairman of the Audit Committee (Cllr Mark Rhodes) considered the matter on behalf of the Committee and wrote to me as the (then) Chairman of your Committee on 20 April 2011. A copy of Cllr Rhodes' letter is attached at **[Annex 2]**. A copy of this letter was also sent to the District Auditor advising of this opinion,
- 1.1.6 At the time of writing this report, at their next meeting on 22 June, Members of the Audit Committee are due to endorse the approach that was taken in light of the unusual circumstances.. If there are any issues raised at this point, I am advised that the Director of Finance will ensure Members are updated verbally at your meeting.
- 1.1.7 Members are advised that a response to the set of questions posed by the District Auditor (Annex 1) was prepared with input from both myself and Cllr Rhodes as the former Chairmen of the Audit Committee. The responses are attached at **[Annex 3]** for information.
- 1.1.8 May I ask you as Members of the General Purposes Committee to consider this response and satisfy themselves that the Council is compliant with the International Auditing Standards?
- 1.1.9 Management Team are also required provide assurance that the Council complies with these standards. A response from Management Team was presented to the Audit Committee and Members are to refer to that item for additional assurance of compliance.

## **1.2 Legal Implications**

- 1.2.1 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.

## **1.3 Financial and Value for Money Considerations**

- 1.3.1 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.
- 1.3.2 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.

## **1.4 Risk Assessment**

- 1.4.1 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.

## 1.5 Equality Impact Assessment

- 1.5.1 This report is demonstrating how the Council complies with International Standards. These standards are based upon factors outside of equality issues although if there was any investigation action required the needs of the individual being investigated would be considered in accordance with “public interest requirements”.

## 1.6 Recommendations

- 1.6.1 It is **RECOMMENDED** that the General Purposes Committee considers the response prepared and gives assurance to the District Auditor that these standards have been complied with.

Background papers:

contact: David Buckley

Communication from the District Auditor

Brian Luker

Former Chairman of the General Purposes Committee

Screening for equality impacts:		
Question	Answer	Explanation of impacts
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?	No	This paper gives an assurance that International Standards have been complied with
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	Yes	All investigations into allegations of fraud consider an individual’s needs in accordance with the “public interest test”.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

*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.*