

Response from Finance and Audit Committee Chair

Fraud risk assessment

	Auditor Question	Response
1	Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	<p>Yes. The councils process for assessing the risk of material misstatement in the financial statements due to fraud involves:</p> <ul style="list-style-type: none"> - Reports on the council's corporate risk management process and corporate risk register with specific consideration of fraud risk. - Reports from finance including budget monitoring, treasury management, preparation for final accounts, officer training on closedown of the accounts, treasury management and horizon scanning. - Reports from internal audit providing assurance on the integrity of financial controls - Annual Fraud Report providing information on anti-fraud activities including national fraud initiative (NFI) - The process to develop the annual governance statement providing assurance that controls are in place including specific reference to fraud risk within management assurance statements.
2	What are the results of this process?	The results of this process are that no risk of misstatement has been found.

	Auditor Question	Response
3	What processes does the Council have in place to identify and respond to risks of fraud?	<ul style="list-style-type: none"> - Corporate framework of policies and procedures intended to direct the activity of the council and detect deviations from this. - Anti-fraud & corruption strategy, whistleblowing policy and housing & council tax benefit anti-fraud policy in place, reviewed regularly and publicised to staff through NETConsent (a policy management software program used to assist with the distribution of corporate policies and procedures to staff). - Delivery of training to enhance awareness of fraud risks within council business. - Consideration of national guidance on fraud (from bodies such as Grant Thornton and the National Fraud Authority) as well as local officer networks. - Proactive participation in data matching exercises such as the NFI. - Internal Audit Planning Process includes specific assessment of fraud risks, with high risk areas subject to targeted audits of counter fraud arrangements. - Investigations Team and corporate counter fraud approach in place to respond to risk of fraud. <p>Reporting of counter fraud activity to the Finance & Audit committee through:</p> <ul style="list-style-type: none"> - Regular reports from the External Auditor providing assurance that regulations are being complied with. - The annual fraud report

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4	Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	<p>The internal audit planning process includes specific fraud risk assessment that results in specific fraud focused review on each audit plan. Resultant action plans are agreed with client management and implementation of recommendations reported to management team to ensure any weaknesses identified are addressed.</p> <p>Tenancy fraud in housing stock has been identified as a continuing risk and a growing area of concern, particularly in relation to right to buy applications. Investigation processes are continually adapting to respond to these risks and plans for further changes to the right to buy process for fraud proofing are being considered. An Anti-Fraud Policy specifically aimed at Housing Fraud is also being developed.</p> <p>Results from the current investigative processes are detailed within the annual fraud report.</p>

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5	Are internal controls, including segregation of duties, in place and operating effectively?	<p>Yes.</p> <p>Segregation of duties is a requirement of the council's financial procedure Financial Procedure Rules and is built into key strategies such as the Treasury Management Strategy.</p> <p>The Assistant Director – Corporate Performance, in his role as Chief Audit Executive, provided his opinion in the 2014-15 Annual Internal Audit Report that the council's system of internal control adequately contributes to the proper, economic, efficient and effective use of resources in achieving the council's objectives. In areas where internal control arrangements could be improved or enhanced, recommendations have been made and their implementation will be monitored through the internal audit follow-up process.</p> <p>Management confirmation has been obtained that 98.3% of recommendations due for implementation during 2014-15 have been actioned.</p>
6	If not, where are the risk areas and what mitigating actions have been taken?	<p>The council accepts that risks around internal control can change due to a number of factors. This is taken into account when developing the Annual Internal Audit Plan. Ongoing Management Team monitoring of recommendations agreed through Internal Audit Reviews ensures that internal controls continue to be maintained.</p>

	Auditor Question	Response
7	Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	<p>There are no areas where there is a potential for override of controls or inappropriate influence over the financial reporting process. There is a pressure to achieve targets but this is undertaken within a controlled environment with regular budget monitoring, Medium Term Financial Plan updates and effective risk management processes.</p> <p>Any deliberate acts would be dealt with as disciplinary matters and / or fraud cases as appropriate.</p>
8	Are there any areas where there is a potential for misreporting?	<p>There are no areas considered to have potential for misreporting or override of controls, based on the factors below:</p> <ul style="list-style-type: none"> - There is a Data Quality Policy in place which is available to all staff. - There is a Whistleblowing policy in place which is available to all staff. No reports of override of controls received during 2014-15. - Internal Audit is operationally independent and the Assistant Director – Corporate Performance, as Chief Audit Executive, is free to report to the Finance & Audit Committee in his own name.

	Auditor Question	Response
9	How does the Governing Body exercise oversight over management's processes for identifying and responding to risks of fraud?	<p>The Finance & Audit Committee:</p> <ul style="list-style-type: none"> - Play a key role in the development and review of the council's Risk Management Strategy and Annual Corporate Risk Register. - Receive the Annual Fraud Report. - Consider and approve the Annual Internal Audit Plan, which includes proactive fraud activity. - Receive the Annual Internal Audit Report which includes assurance on the council's control environment through the programmed audit reviews conducted. - Receive the Annual Governance Statement, including the annual review of the council's governance arrangements and the evidence base for this - Question officers at Finance and Audit meetings - Question External Audit representatives at the Finance and Audit meetings. - Receive reports from External Audit which, among other things, provide assurance on the council's arrangements through the Annual Audit and Inspection Letter. - Receive reports following external inspections by regulatory bodies; such as the Local Government Ombudsman etc.
10	What arrangements are in place to report fraud issues and risks to the Governing Body?	Please see response above for the arrangements report fraud issues and risks to the Finance and Audit Committee.

	Auditor Question	Response
11	How does the Council communicate and encourage ethical behaviour of its staff and contractors?	<ul style="list-style-type: none"> - The council has a Code of Conduct that sets the expectations of behaviour of council officers, which includes the expectation of officers to report any suspected fraud or impropriety. - The Anti-Fraud and Corruption Strategy, Whistleblowing Policy, Housing & Council Tax Benefit Anti-Fraud Policy and Council Tax Reduction, Discount and Exemption Anti-Fraud Policy are publicised to all staff through NETConsent and the council website. <p>The Annual Governance Statement includes assurance statements from senior management, S151 officer and Monitoring Officer that they follow council's standard arrangements in relation to governance issues including fraud arrangements.</p>

	Auditor Question	Response
12	<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<ul style="list-style-type: none"> - The council has a Code of Conduct that requires officers to report any suspected fraud or impropriety. - The Anti-Fraud and Corruption Strategy, Whistleblowing Policy, Housing & Council Tax Benefit Anti-Fraud Policy and Council Tax Reduction, Discount and Exemption Anti-Fraud Policy are publicised to all staff through NETConsent and the council website. - When compiling and reviewing operational risk registers, officers are asked to specifically consider the risk of fraud in their services; internal audit review these registers in the audit planning process. - Fraud referrals and investigations and reported to the Finance & Audit Committee through the Annual Fraud report. - The risk of fraud through chargebacks was identified; a working group was established, control weaknesses addressed and remedial action taken, including on-going liaison with the police to progress action against the perpetrators

	Auditor Question	Response
13	Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	<ul style="list-style-type: none"> - The related party transaction forms relating to 2014-15 did not identify any suspicious transactions. - The officer and Member codes of conduct require interests to be declared.
14	Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2014?	Yes – information on the number of all suspected, alleged or actual frauds are reported to the Finance & Audit Committee in the Annual Fraud Report 2014-15.
15	Are you aware of any whistleblower tips or complaints?	Yes – information on the number of all suspected, alleged or actual frauds are reported to the Finance & Audit Committee in the Annual Fraud Report 2014-15.

Law and regulation

	Auditor Question	Response
16	What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	<ul style="list-style-type: none"> - The Monitoring Officer is a representative at Management Team and Council meetings. - The Council's Constitution details the regulatory framework including delegated responsibilities, decision making, procedure rules and codes of conduct. - The employment of professional officers in Senior Posts helps to ensure that departments also become aware of relevant legislative change which may impact on their operations. - All Management Team and Committee reports include an appendix that considers the legal and financial implications of the item reported. - The Code of Conduct for Employees requires all employees to work within the law and all regulations; the code is circulated to all staff on an annual basis via NETConsent. - Programmed Internal Audit reviews provide assurance on compliance with relevant law/regulations/policies.

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17	How does management gain assurance that all relevant laws and regulations have been complied with?	<ul style="list-style-type: none"> - All senior managers complete an Assurance Statement submitted as evidence for the Annual Governance Statement. All managers confirmed that all relevant laws and regulations have been complied with in their areas during 2014-15. - There were no concerns of non-compliance raised either directly with the Monitoring Officer or through the Whistleblowing channel during 2014-15.
18	How is the Governing Body provided with assurance that all relevant laws and regulations have been complied with?	<ul style="list-style-type: none"> - The Annual Governance Statement is presented to the Finance & Audit Committee along with a comprehensive package of evidence. This includes the comprehensive review of the council's governance arrangements as well as a copy of all assurance statements completed by managers confirming all laws and regulations have been complied with. - The findings of all Internal Audit reviews are reported to the Finance & Audit Committee; if an audit found concerns or any non-compliance this would be reported directly to the Committee; no such reports have been made in 2014-15.

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19	Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2014?	<ul style="list-style-type: none"> - The evidence for the Annual Governance Statement includes an assurance statement specific to the role of the Monitoring Officer. This confirmed that no instances of non-compliance were identified in 2014-15 or earlier, nor is there any evidence of significant unreported concerns.
20	What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	<ul style="list-style-type: none"> - The Annual Governance Statement includes an assurance statement from the Monitoring Officer. - The closedown of accounts process asks Directors and Service Managers for any known contingent liabilities so that provisions for possible litigation or claims can be made.
21	Is there any actual or potential litigation or claims that would affect the financial statements?	Four known cases at the time of preparing this response. The Council is a defendant in proceedings brought about by groups of Property Search Companies for refunds of fees paid to the Council to access land charges data. The Council is also potentially a defendant in a group of claims regarding an alleged Gastroschisis cluster. The Council is also subject to potential litigation in relation to one planning appeal and an unsuccessful Court of Appeal Case.
22	Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No