

Response from Finance and Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud?</p>	<p>Yes. The council's 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 the Audit & Counter Fraud team providing assurance on the integrity of financial controls -Quarterly reports from the Audit & Counter Fraud Team 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.
<p>What are the results of this process?</p>	<p>The results of this process are that no risk of misstatement has been found.</p>

Auditor Question	Response
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<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 anti-fraud policies relating specifically to housing & council tax benefit, council tax reduction, discounts & exemptions and housing fraud are 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, CIPFA and the Cabinet Office) as well as local officer networks. • Proactive participation in data matching exercises such as the NFI. • Audit & Counter Fraud Planning Process includes specific assessment of fraud risks, with high risk areas subject to targeted audits of counter fraud arrangements. • Audit & Counter Fraud Team with a corporate 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 Audit and Counter Fraud Team providing assurance that regulations are being complied with. - Quarterly reporting outlining details of investigated cases.

Auditor Question	Response
<p>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>	<p>The Audit & Counter Fraud planning process includes specific fraud risk assessment that results in specific fraud focused reviews on each 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>Results from the current investigative processes are detailed within quarterly reports.</p> <p>Tenancy fraud in housing stock has previously been identified as a continuing risk and a growing area of concern. A fraud proofing review was undertaken in relation to the right to buy process in order to strengthen the councils fraud prevention methods. A number of recommendations have since been implemented.</p>

Auditor Question	Response
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p>	<p>Yes.</p> <p>Segregation of duties is a requirement of the council's Financial Procedure Rules and is built into key strategies such as the Treasury Management Strategy.</p> <p>The Head of Audit & Counter Fraud, in his role as Chief Audit Executive, will provide his audit opinion in the 2017-18 Annual Audit & Counter Fraud Report. Based on a provisional assessment, the Head of Audit & Counter Fraud is minded to issue an opinion 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 follow-up process.</p> <p>Management confirmation has been obtained that 79.8% of recommendations due for implementation during 2017-18 have been actioned. Progress against the outstanding recommendations will be monitored by the Management Team.</p> <p>The Finance and Audit Committee are part of the internal control process and provide challenge and scrutiny of governance and financial information presented to them.</p>
<p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<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 Audit & Counter Fraud Plan. Ongoing Management Team monitoring of recommendations agreed through Audit & Counter Fraud Reviews ensures that internal controls continue to be maintained.</p>

Auditor Question	Response
<p>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>	<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>
<p>Are there any areas where there is a potential for misreporting?</p>	<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 2017-18. - The Audit & Counter Fraud Team is operationally independent (being employed by Medway Council) and the Head of Audit & Counter Fraud Shared Service, as Chief Audit Executive, is free to report to the Finance & Audit Committee in his own name.

Auditor Question	Response
<p>How does the Governing Body exercise oversight over management's processes for identifying and responding to risks of fraud?</p>	<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 quarterly Audit & Counter Fraud Reports. - Consider and approve the Annual Audit & Counter Fraud Plan, which includes proactive fraud activity. - Receive quarterly Audit & Counter Fraud update reports which include assurance on the council's control environment through the programmed 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 Committee meetings - Question External Audit representatives at the Finance and Audit Committee 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.
<p>What arrangements are in place to report fraud issues and risks to the Governing Body?</p>	<p>Please see response above for the arrangements report fraud issues and risks to the Finance and Audit Committee.</p>

Auditor Question	Response
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<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, Council Tax Reduction, Discount and Exemption Anti-Fraud Policy and the Housing 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, including managers of shared services, S151 officer and Monitoring Officer confirming that they follow council's standard arrangements in relation to governance issues, including fraud arrangements.</p> <p>The major services provided by the council are delivered in-house by Gravesham employees, who are subject to the council's Code of Conduct and other relevant policies. Contracts in place for the delivery of services by third parties include a clause which requires compliance with the council's Code of Conduct and other related policies.</p>

Auditor Question	Response
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>Both the anti-fraud & corruption policy and whistleblowing policy are distributed to staff via NETConsent on an annual basis, both of which outline how to report any suspicions or concerns.</p> <p>In addition the Audit & Counter Fraud Team deliver fraud awareness training to both officers and Members as part of their annual workplan.</p> <p>Referrals concerning third parties (council service users) and fraud relating to things such as housing and council tax have been reported and investigated accordingly.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>No. These are considered through a defined process as part of the preparation of the statement of accounts, with appropriate disclosures made. Provisional assessment of related party relationships declared for 2017-18 have not found any concerns.</p>
<p>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 2017?</p>	<p>There have been no reports of suspected or alleged fraud relating to council employees during 2017-18.</p>
<p>Are you aware of any whistle-blower tips or complaints?</p>	<p>No whistleblow reports have been received during 2017-18.</p>

Law and regulation

Auditor Question	Response
<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<ul style="list-style-type: none"> - The Monitoring Officer or Deputy 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 Audit & Counter Fraud reviews provide assurance on compliance with relevant law/regulations/ policies.
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<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 2017-18. - There were no concerns of non-compliance raised either directly with the Monitoring Officer or through the Whistleblowing channel during 2017-18.

Auditor Question	Response
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 Audit & Counter Fraud 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 2017-18.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017?	<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 2017-18, nor is there any evidence of significant unreported concerns.
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.
Is there any actual or potential litigation or claims that would affect the financial statements?	There are no known potential litigation cases or claims at the time of preparing this response that would materially affect the presentation of the financial statements.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No.