

Response from 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>The council has assessed the risk of material misstatement in the financial statements due to fraud and concluded that robust procedures are in place to ensure that this risk does not materialise. This has been determined through regular presentations to members on financial and audit matters and a conscious effort made by officers. The following management processes have allowed the Council to arrive at this conclusion:</p> <ul style="list-style-type: none"> • The Council’s constitution tasks service managers with control of financial resources. • Quarterly reporting of budget monitoring along with the monitoring of financial performance on other balance sheet items is formally reported to the Corporate Leadership Team and to Cabinet. • Risk assessment of the final accounts process and peer review of material elements of the statements by senior officers. • Presentation of the draft financial statements to the Audit Committee for review and challenge.
<p>What are the results of this process?</p>	<p>Awareness and vigilance amongst members and officers. No specific risks have been identified to date.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>Procedures are in place to ensure compliance with financial regulations and contract procedure rules. These elements of the Council’s constitution formally identify the procedures required in relation to financial transactions to reduce the risk of fraud. All financial systems maintained by the Council are subject to an annual review by Internal Audit and are monitored by the Head of Finance & Resources who takes responsibility for approving all contractual commitments greater than £50,000. All payments greater than £40,000 are approved by the Chief Accountant, Head of Finance and Resources or s151 Officer. A dedicated fraud team is in place to identify and respond to fraud relating to Benefits and Council Tax fraud.</p> <p>The council also have a whistle blowing charter and anti-fraud and corruption policy in</p>

	place.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	No specific fraud risks have been identified in respect of internal Council business. The dedicated fraud team has identified and investigated a considerable number of Benefit frauds and improper applications for Council Tax Single Person Discount.
Are internal controls, including segregation of duties, in place and operating effectively?	Yes. The Corporate Leadership Team undertakes an annual review of internal controls and this is reported in the Annual Governance Statement. The most recent report to the Audit Committee on 14 July 2014 contained the Head of Audit Partnership's opinion that substantial reliance can be placed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
If not, where are the risk areas and what mitigating actions have been taken?	No specific risk areas have been identified.
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)?	None have been identified.
Are there any areas where there is a potential for misreporting?	None have been identified.
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	Through regular consultation and stringent examination of the accounts, budgets, strategic risk register and update reports.
What arrangements are in place to report fraud issues and risks to the Audit Committee?	The Head of Internal Audit provides an annual report on the work of the Internal Audit team and comments on the adequacy and effectiveness of the Council's governance framework governance, risk management and control. The Committee also receives an annual Benefit Fraud report. The quarterly Internal Audit reports presented to the Audit Committee also highlight the assurance levels for individual audits. The Head of Internal audit is also able to report matters to the Audit Committee Chair should they arise between meetings. The committee also considers reports from external audit and has the opportunity to

	question the report authors during meetings.
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	The Council's constitution includes an Officers Code of Conduct which provides guidelines on the standards expected of staff. The Code of Conduct is rigorously applied and any breaches may result in the application of formal disciplinary procedures.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Council has a Whistleblowing Charter which identifies how staff are able to report any concerns about potential fraud. The management team are open and approachable to staff who may have concerns to report. No significant issues have been reported during 2014/15.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	All Members and Senior Officers are required to complete an annual declaration of interests that includes details of any finance-related transactions with the Council. The results of this process will be included in the 2014/15 Statement of Accounts.
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 2013?	The dedicated fraud team has identified and investigated a considerable number of Benefit Fraud and improper applications for Council Tax Single Person Discount. Robust arrangements are in place to prevent and detect this type of fraud.

Law and regulation

Auditor question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The Council uses the Monitoring Officer and the Policy and Scrutiny Section to identify and communicate all new and changed legislation throughout the organisation. This is also a focus of internal audit reviews.
How does management gain assurance that all relevant laws and regulations have been complied with?	Compliance with legislation and action to comply where legislation will change is expected to form a part of the service plan of affected services. Internal Audit has carried out a number of reviews that consider compliance with laws and regulations during the year.
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Through regular meetings and briefings. Any concerns regarding non-compliance are raised with the Council's Monitoring Officer or through the whistleblowing channel. No such concerns have been raised during 2014-15. The committee also considers reports from both Internal and External Audit throughout the course of the year which provide assurance over compliance with relevant laws and regulations
Have there been any instances of non-compliance or	None have been identified.

suspected non-compliance with law and regulation since 1 April 2014?	
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Any litigation or claims brought against the council are assessed by the council's legal team. These are brought to the attention of the finance team for financial reporting purposes and accounted for in accordance with accounting standards. Ultimately any matters of significance would be reported to the Audit Committee.
Is there any actual or potential litigation or claims that would affect the financial statements?	The Council has been notified of a number of potential claims arising from former employees exposed to asbestos during their period of employment with the Council. The Council's previous insurers MMI are reviewing these claims and settlement figures will be calculated if liability is established.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	A routine review was conducted by HMRC inspectors during July and August 2014. No significant matters indicating non-compliance with laws and regulations were reported. There have been no further reports from regulatory bodies.