

Response from Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	<p>The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2017/18. A Statement of Responsibilities for the Statement of Accounts is included in the Statement of Accounts which is approved by the Audit Committee and subsequently signed by the Chairman of the Committee and the Director of Finance and Transformation. This Statement of Responsibilities is supported by a detailed declaration from the Director of Finance and Transformation.</p> <p>The Accounts also contain the Annual Governance Statement which confirms compliance with the Local Code of Corporate Governance. It is signed by the Chief Executive and the Leader of the Council and confirms that there are no known breaches of laws and regulations.</p> <p>The Accounts are presented to Members with an accompanying report which explains significant items and movements.</p>
What are the results of this process?	<p>We consider that the potential for material misstatement within the financial statements due to fraud is negligible. This assessment is based upon the use of budgetary control, risk management and significant peer review by senior officers as part of the closure of accounts process. No material risks have been identified for 2017/18.</p>
What processes does the Council have in place to identify and respond to risks of fraud?	<p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud, Bribery and Corruption Policies supported by a Whistleblowing Policy, all of which are reviewed annually, with outcomes being reported to Members. There is a comprehensive internal audit programme based upon a risk assessment that covers all of the main accounting systems on a regular basis. These reviews result in an assurance level being given to Members for each individual audit and this is used by the Chief Audit Executive to give an overall assurance level to Members in their Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with comprehensive follow-up procedures that monitor improvement.</p> <p>The Council works with partners to identify and investigate fraud. The referrals made through the National Fraud Initiative (NFI) exercise are investigated and outcomes are reported to Members of the Audit Committee.</p> <p>The Counter Fraud function works closely with the Department of Work and Pensions (DWP) to investigate allegations of fraud. There is also participation in the Housing Benefit Matching System that uses data matching in order to identify incorrect benefit payments.</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>The Audit Committee is responsible for overseeing the risk management process in place. The Council acknowledge the inherent risk of fraud occurring within the organisation, however, while there are systems recognised as being more at risk of fraud than others no specific fraud risks have been</p>

	<p>identified by TCWG in relation to location or area. In addition, regular reporting of insurance claims takes place. This would include any claims that have arisen from fraud or breaches of internal control.</p> <p>When the Annual Audit Plan is considered by the Audit Committee it will have taken into account any areas identified as high risk. Members receive an Annual Fraud Report detailing the work of the Investigations Team into the Council's highest fraud risk areas. Members are updated on publications such as "Protecting the Public Purse", exercises such as the National Fraud Initiative and action taken to address any issues raised.</p>
Are internal controls, including segregation of duties, in place and operating effectively?	<p>Members are presented with an Annual Governance Statement that informs them of the procedures in place designed to minimise the risk of fraud and error.</p> <p>The Internal Audit process requires Internal Audit to give a level of assurance on the area audited. There are regular reports provided to the Audit Committee that inform Members of these assurance levels. Members are also given a summary of the audit with details of any recommendations made.</p> <p>The Committee are able to question the Chief Audit Executive on the contents of this report in order to satisfy themselves that adequate internal controls are in place to prevent fraud and breaches of internal control.</p> <p>Where there is a perceived weakness the report will contain steps recommended to strengthen the controls.</p> <p>Any reports addressed to the Council from the External Auditor are presented to the Audit Committee. The External Auditor and/or his representative/s regularly attend Audit Committee meetings and will present their findings to the Audit Committee as well as answering any questions on the reports.</p>
If not, where are the risk areas and what mitigating actions have been taken?	N/A
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>We consider that the potential for override of controls or inappropriate influence is minimal. This assessment is based upon the use of budgetary control and significant peer review by senior officers as part of the closure of accounts process. No material risks have been identified for 2017/18.</p>
Are there any areas where there is a potential for misreporting?	None to the best of our knowledge.
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	The Anti-Fraud and supporting policies are reviewed and agreed by Members on a regular basis. Any serious breaches are reported to Members with action taken to improve control weaknesses that were identified.
What arrangements are in place to report fraud issues and risks to the Audit Committee?	Update on the work of both the Internal Audit function and Counter Fraud function is a standing item on the Audit Committee agenda.
How does the Council communicate and encourage	In order to make sure that all staff are fully aware of the zero tolerance culture of the organisation to fraud the Anti-Fraud,

ethical behaviour of its staff and contractors?	<p>Bribery and Corruption Policy and the Whistleblowing Policy are circulated to staff annually via "Netconsent". This is software that requires staff to read policies and acknowledge understanding of them before they can log on to the Council's computer systems. Other relevant policies are also circulated as appropriate.</p> <p>All staff are required to abide by the Officer's Code of Conduct and this is provided on appointment to the Council. Housing Benefits and Internal Audit and Fraud staff are also required to sign annual declarations of interest.</p>
<p>How do you encourage staff to report their concerns about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council has a Whistleblowing Policy for all Members, employees and contractors. This Policy enables concerns to be raised confidentially with an explanation of how concerns raised will be investigated and dealt with. It also gives guidance on the types of concerns to raise.</p> <p>The most recent version of this Policy was circulated to staff using "Netconsent".</p> <p>In addition, fraud awareness training is provided to staff. Training was given to staff in Revenues and Benefits, Housing and Customer Services in 2017/18. A briefing to the Procurement OSG was also undertaken.</p> <p>No significant issues have been reported.</p>
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	None to the best of our knowledge.
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?	The only frauds that have been reported to Members during 2017/18 related to Council Tax, Housing and Housing Benefit. No other significant concerns in 2017/18 have been reported to Members.

Laws and Regulations

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The Director of Central Services fulfils the statutory Monitoring Officer role including the requirement to report any legislative breaches. Internal Audit considers compliance with legislation and statutory regulations in the work they undertake and report accordingly to Management Team and the Audit Committee.
How does management gain assurance that all relevant laws and regulations have been complied with?	All internal audit reports are issued to the relevant Director and the Chief Executive and findings are reported to the Audit Committee, any non-compliance issues found through audit work undertaken would be reported through these routes. The Monitoring Officer is a member of management team and all Member decision items include a section to draw out any legal implications pertaining to the subject matter.
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Assurance is provided by way of the Local Code of Corporate Governance which is ordinarily subject to annual review and the Annual Governance Statement. In addition, all Member decision items include a section to draw out any legal implications pertaining to the subject matter.
Have there been any instances of non-compliance or	None to the best of our knowledge. There have not been any instances of non-compliance with

suspected non-compliance with laws and regulations since 1 April 2017?	laws or regulations or any possible instances of non-compliance reported to the Monitoring Officer during the year.
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Any litigation or claims received are reviewed and progressed by the Service Director in liaison with the Monitoring Officer as appropriate.
Is there any actual or potential litigation or claims that would affect the financial statements?	We are not aware of any actual or potential litigation or claims that could materially affect the financial statements.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	There have been no such reports.