

Tonbridge & Malling BC

2014/15 Financial statements

Compliance with International Standards on Auditing: Information requested from Those Charged With Governance

Introduction

As part of our risk assessment procedures external auditors are required to obtain an understanding of certain management processes and the oversight of those processes by Those Charged With Governance (TCWG).

We therefore request responses from TCWG to the questions set out below. It is suggested the responses from TCWG should follow consideration of the responses from management.

For Tonbridge & Malling BC responsibility for approving the accounts falls to the Audit Committee.

ISA 240: Fraud		
1	How do TCWG exercise oversight of management's processes in relation to:	
a)	Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud.	<p>The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2014/15. 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 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>
b)	Identifying and responding to risks of fraud in the organisation (including how TCWG oversee any specific risks of fraud which management has brought to its attention, or any classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist).	<p>The zero-tolerance culture of the organisation towards fraud is reinforced by use of Anti-Fraud and Corruption Policies supported by a Whistleblowing Charter 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 Internal Auditor to give an overall assurance level to Members in his Annual Report. In addition, all reports and recommendations are reported to relevant Chief Officers and management with</p>

		<p>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 Fraud Section 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. The outcomes of benefit investigations are regularly reported to the Finance, Innovation & Property Advisory Board and in future to the Audit Committee.</p>
c)	Communication to employees of views on business practice and ethical behaviour.	<p>In order to make sure that all staff are fully aware of Anti-Fraud Policies, Anti-Money Laundering Policy and Whistleblowing Charter the Council uses "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. This has also been used to circulate Data Protection and email usage policies.</p> <p>All staff are required to abide by the Council's Code of Conduct and this is provided upon appointment to the Council. The Code of Conduct has been circulated to staff by use of Netconsent. There are enhanced Codes of Conduct in some sections such as Housing Benefits and Internal Audit where staff are also required to sign additional specific Codes of Conduct.</p>
d)	Communication to TCWG the processes for identifying and responding to 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.
2	Have TCWG identified any specific fraud risks within the organisation, particular locations where fraud is more likely to occur, or areas that are at risk of fraud?	<p>The Audit Committee is also responsible for overseeing the risk management process in place. Besides reviewing the risk management process the Committee is given regular reports on the risk exposure levels identified in the risk registers including specific attention to high risk areas. 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>

3	<p>How are staff encouraged to report their concerns about fraud, and the types of concerns that they are expected to report?</p>	<p>All staff are made aware of the Whistleblowing Charter using email and "Netconsent". The most recent version of this Charter was circulated to staff using Netconsent. Frontline staff were given fraud awareness training.</p> <p>The Corporate Governance web pages were redrafted following the review of policies. In 2013/14 there was an online fraud awareness session made available to all staff with computer access.</p> <p>The Council has a Whistleblowing Charter that is available to all staff and external stakeholders. This charter enables concerns to be raised confidentially with a prescribed explanation of how they will be investigated and dealt with. It also gives guidance on the types of concerns to raise.</p>
4	<p>How do they satisfy themselves that internal controls, including segregation of duties, exist and work effectively?</p>	<p>Members are presented with an Annual Governance Statement that informs them of the procedures in place that are designed to minimise the risk of fraud and error.</p> <p>The Internal Audit process requires the auditor 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 Internal Auditor or his staff 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>
5	<p>Are TCWG aware of any actual, suspected or alleged frauds during the year?</p> <p>If yes, what has been the response?</p>	<p>The only frauds that have been reported to Members during 2014/15 related to benefit fraud and these were reported to the Finance, Innovation and Property Advisory Board. No other significant concerns in 2014/15 have been reported to Members.</p>
6	<p>Are TCWG aware of any whistleblower tips or complaints during the year?</p> <p>If yes, what has been the response?</p>	<p>There were two concerns raised during the year 2014/15. One of these was found to be unfounded and the other was found to be a breach of the Code of Conduct that resulted in a disciplinary hearing. These have only recently been concluded and have not yet been reported to Members.</p>

ISA 250: Compliance with laws and regulations		
7	How do TCWG satisfy themselves that the Council complies with legislation and relevant regulatory frameworks?	The Council's Constitution is written to ensure compliance with law and requires all officers to comply with the relevant legislation. The Annual Governance Statement contains assurance that all relevant laws have been complied with. Any breaches of laws or regulations will be reported to Members by the Monitoring Officer.
8	Are you aware of any actual or potential litigation or claims that could materially affect the financial statements?	No issues are ongoing that could materially affect the financial statements.
ISA 260: Accounts planning risk		
9	Are TCWG aware of any significant internal and external operational, financial, compliance or other risks facing the Council which might have an effect on the financial statements? Where there are such risks, what is the likelihood of those risks materialising?	<p>The risk management system requires all Chief Officers to regularly review their risk registers and report any movements into the high area to Management Team.</p> <p>The results of these reviews of risk registers are reported to the Audit Committee and include specific information on high risk areas.</p> <p>In addition all reports requiring Members decision will contain an explanation of expected risk and steps taken to minimise the risk.</p> <p>These processes have not identified any events that might have a material effect on the 2014/15 financial statements.</p>
10	Are there any matters TCWG consider warrant particular attention during the audit? Are there any areas where they would request additional procedures to be undertaken?	There are no matters which TCWG consider warrant particular attention or areas where they consider additional procedures should be undertaken.
ISA 570: Going concern		
11	How do TCWG satisfy themselves that it is appropriate to adopt the going concern basis in preparing the financial statements?	<p>Going concern status is maintained through the use of the Medium Term Financial Strategy. The aim of the Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities.</p> <p>The Council currently holds adequate levels of reserves that could be used in the event of emerging financial difficulties in the short term, allowing for more detailed plans to be considered and put in place for the longer term.</p> <p>Members receive regular reports on the financial position of the Council and, in turn, the impact on the Medium Term Financial Strategy and reserve balances.</p> <p>The assessment of going concern will also take into account the Council's status as a tax-raising body.</p>