

Responses from Chair of the Audit Committee:

| Auditor question | Response |
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| Have you assessed the risk of material misstatement in the financial statements due to fraud? | <p>Yes.</p> <p>The highest material risk is in respect of Treasury Management activity although this is mitigated through different 'layers' of segregation of duties (initiator, reviewer and approver) and regular internal audit reviews.</p> <p>The internal audit plan includes a risk based audit of the core financial systems that are used in the compilation of the financial statements. These core systems are audited annually and any risks identified that may result in the financial statements being materially misstated due to fraud will be reported to the Corporate Governance Group and the Audit Committee.</p> |
| What are the results of this process? | I can confirm that at 31st March 2016 I am not aware of any fraud that might cause a misstatement of the accounts. |
| What processes do you have in place to identify and respond to the risks of fraud? | <p>The Council has a zero tolerance approach to fraud and will investigate any allegations or whistleblowing complaints.</p> <p>The Counter Fraud, Corruption and Bribery Policy, Internal Audit Charter and the terms of reference for Internal Audit are formally agreed by the Audit Committee. These documents set out the role of Internal Audit in the prevention and investigation of fraud. The Audit Committee also approves the risk-based annual audit plan which includes allocation of resources to respond to fraud allegations and prepare audits to consider possible areas where fraud may be a risk.</p> <p>Cheltenham has formally joined the Counter Fraud Unit following the successful bid in February 2015 to the Department of Communities and Local Government (DCLG) for funding. This ensures the authority retains skills and resources to tackle fraud following the Department of Work and Pensions Single Fraud Investigation Service (DWP SFIS) led changes.</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 Council regularly takes part in the National Fraud Initiative (NFI) – no areas of fraud have been identified in 2016/17.</p> <p>Key areas of risks are covered by internal audit. Any serious findings are reported to Audit</p> |

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| | <p>Committee.</p> <p>Historically the Council has targeted abuse within the Housing Benefit and Council Tax Reduction Scheme system and there has been little focus elsewhere. Specific fraud risks within the Council relate to 'routine' benefit or council tax fraud.</p> <p>The Council has recently joined the Gloucestershire Counter Fraud Unit, and a formal work-plan has been agreed. A formal update is provided to the Audit Committee meeting.</p> |
| Are internal controls, including segregation of duties, in place and operating effectively? | Yes. The internal auditors review all key systems annually and any breaches of internal control would be reported to both the Section 151 Officer and the Audit Committee. Any special investigations carried out by Internal Audit are also reported to the Audit Committee. |
| 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>Budgetary pressures / savings targets are shared by the Senior Leadership Team. There is open reporting of progress to Cabinet via budget monitoring reports which are regularly scrutinised by the Budget Scrutiny Working Group.</p> <p>Treasury Management activity is reported and scrutinised by the Treasury Management Panel and Cabinet on a regular basis and reported through to Full Council.</p> |
| Are there any areas where there is a potential for misreporting? | <p>There is always the potential but we believe appropriate checks and balances are in place within the teams, and through GO Shared Services, to ensure misreporting does not occur.</p> <p>The Council monitors budgets to cost centre level which highlights any unexpected variances for further investigation.</p> <p>Financial rules govern what is required to be reported and controls the rules surrounding 'virement'.</p> |
| How do you exercise oversight over management's processes for identifying and responding to risks of fraud? | The Audit Committee receives regular reports from internal and external audit and the responsibility for reviewing the Code of Corporate Governance, Anti-Fraud and Corruption policies sits with the Audit Committee. |

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| <p>What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> | <p>The responsibility for the investigation of actual or suspected fraud now lies with the Counter Fraud Unit, who report direct to the Section 151 Officer, who report to the Audit Committee on a quarterly basis.</p> <p>The council has a robust risk management process which requires managers to manage all risks within projects and services with escalation to the corporate risk register (where appropriate) which is reviewed regularly by SLT. All reports to committees require financial implications to be identified and include a template for HR, financial and legal implications and risks to be identified and scored.</p> |
| <p>How do you communicate and encourage ethical behaviour of staff and contractors?</p> | <p>Code of conduct for employees (link via intranet).</p> <p>Contract procedure rules for contractors.</p> <p>Procurement Strategy.</p> <p>The officer Corporate Governance Group addresses ethical matters as part of its work.</p> |
| <p>How do you encourage staff to report their concerns about fraud?</p> <p>Have any significant issues been reported?</p> | <p>All employees are periodically reminded of the whistleblowing policy and all staff are expected to sign related party transaction declarations on an annual basis.</p> <p>No significant issues have been reported.</p> |
| <p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p> | <p>No – but the Councils constitution requires members to declare any such interests and where appropriate withdraw. Senior decision making officers are also required to declare any related party transactions.</p> |
| <p>Are you aware of any instances of actual, suspected or alleged fraud, either within the Council as a whole, within specific departments or in other entities within the Group since 1 April 2016?</p> | <p>Mainly Benefit and Council tax fraud, tenancy fraud and Right to buy fraud which are investigated by the Counter Fraud Team and reported to the Audit Committee.</p> |
| <p>What arrangements do you have in place to prevent and detect non-compliance with laws and regulations?</p> | <p>Managers and team leaders are expected, by virtue of their job descriptions and personal professional development requirements, to keep up to date and comply with laws and regulations as they apply to their duties and those of their teams.</p> <p>In addition, the Council's legal provider, One Legal (which is a shared service between the</p> |

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| | <p>Council and Gloucester City Council and Tewkesbury Borough Council) advises officers and members on laws and regulations.</p> <p>Within One Legal new legislation and regulations are monitored via various electronic resources including Local Government Association updates, Local Government Lawyer, Westlaw and PLC.</p> <p>Key changes in the law are considered by the Senior Leadership Team and, for any legislation that has a significant impact on the functions of the Council, working groups are set up and implementation plans prepared.</p> <p>Any potential non-compliance is reported to the Senior Leadership Team and an action plan put in place.</p> <p>The Annual Governance Statement also identifies areas of concern and areas for improvement.</p> |
| How does management gain assurance that all relevant laws and regulations have been complied with? | <p>Key changes are reported to the Senior Leadership Team and, for any legislation that has a significant impact on the functions of the Council, working groups are set up and implementation plans prepared.</p> <p>Any potential non-compliance is reported to the Senior Leadership Team and an action plan put in place.</p> |
| How are you provided with assurance that all relevant laws and regulations have been complied with? | <p>Through the Annual Governance Statement which identifies areas of concern and areas for improvement. In addition, each senior and service manager provides an annual assurance statement.</p> <p>In addition, training sessions are used to explain new legislation. Where the changes would have a significant impact on the Council they will appear on the corporate risk register which is available. Any accounting requirements are explained at the annual workshop to help understand the accounts.</p> <p>For any specific cases a special report is prepared for the Audit Committee.</p> |
| Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2016? | No. |
| What arrangements do you have in place to identify, evaluate and account for litigation or claims? | The Council's legal team work with management when any potential claims or litigation are identified; it also provides the Section 151 Officer with details of any litigation or claims for inclusion |

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| | <p>within the financial statements.</p> <p>The Council has a customer complaints process which aims to resolve issues before they escalate.</p> <p>The Council has robust risk management in place which includes the recording of any risks of litigation or claims either within service areas or corporately.</p> <p>The Council has processes in place to manage significant contracts so they operate on a partnership basis and any issues can be raised and managed with the aim of minimising litigation or claims. Contract performance is monitored by the use of management information including key performance indicators.</p> |
| Are there any actual or potential litigation or claims that would affect the financial statements? | No. |
| Have there been any reports from other regulatory bodies, such as HMRC, which indicate non-compliance? | No. |