

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>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>
<p>What are the results of this process?</p>	<p>I can confirm that at 31st March 2018 I am not aware of any fraud that might cause a misstatement of the accounts.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>The Council has a zero tolerance approach to fraud and will investigate any allegations or whistleblowing complaints.</p> <p>The Counter Fraud and Anti-Corruption Policy and the Whistleblowing Policy have been approved by the Audit Committee. These documents set out the role of Internal Audit and the Counter Fraud Unit in the prevention and investigation of fraud. The Audit Committee also approves the risk-based annual audit plan and prepares audits to consider possible areas where fraud may be a risk.</p> <p>The Counter Fraud Unit is a permanent shared support service tasked with minimising fraud and abuse of public funds. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations and referring to recommendations by the Home Office and other professional bodies.</p> <p>The team undertakes reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas.</p> <p>The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what</p>	<p>The Council regularly takes part in the National Fraud Initiative (NFI) – no areas of fraud have been</p>

<p>has been done to mitigate these risks?</p>	<p>identified in 2017/18.</p> <p>Key areas of risks are covered by internal audit. Any serious findings are reported to Audit Committee.</p> <p>The Council is a member of the Gloucestershire Counter Fraud Unit (CFU), and a formal work-plan has been agreed. The team is tackling areas of known abuse with Enforcement Teams where appropriate and corporately with the direction of the Corporate Management Team. Where fraud or abuse is identified a formal report is issued to senior management and Statutory Officers for consideration in relation to risk and control.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p>	<p>Yes. The internal auditors (SWAP) 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 SWAP and the CFU are also reported to the Audit Committee.</p>
<p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>N/A.</p>
<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>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>
<p>Are there any areas where there is a potential for misreporting?</p>	<p>There is always the potential but we believe appropriate checks and balances are in place within the teams, and through Publica Support 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>
<p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p>	<p>The Audit Committee receives regular reports from internal audit, external audit and the CFU and the responsibility for reviewing the Code of Corporate Governance, Counter Fraud and Anti-Corruption policies sits with the Audit Committee.</p>
<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 Section 151 Officer, Monitoring Officer, the CFU and SWAP</p>

	<p>which can be reported via the Council's Whistleblowing policy.</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 strategic risk register (where appropriate) which is reviewed regularly by SLT. All reports to committees require financial and legal implications to be identified and include a template for financial and legal implications and risks to be identified.</p>
<p>How does the Council communicate and encourage ethical behaviour of its 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>Staff and Member awareness sessions have been provided by the Counter Fraud Unit. Provision of refresher information and literature for new starters is being developed.</p> <p>Publicity with regard to identified fraud and error will also be encouraged to act as a deterrent.</p> <p>A review of gifts and hospitality practices will be undertaken this year.</p>
<p>How do you encourage staff to report their concerns about fraud? 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 Council's 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 since 1 April 2017?</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>

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>	<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 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>
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<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>
<p>How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<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 (e.g. GDPR). 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>
<p>Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017?</p>	<p>No.</p>

<p>What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>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 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>
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?</p>	<p>No.</p>