

Report To: **AUDIT PANEL**

Date: 4 June 2019

Reporting Officer: Kathy Roe – Director of Finance
Wendy Poole – Head of Risk Management and Audit Services

Subject: **MAZARS – ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT 2018/2019**

Report Summary: Mazars as part of their risk assessment procedures are required to obtain an understanding of management processes in relation to fraud risk assessment, laws and regulations and going concern considerations as part of their annual audit. The report presents the response to the letters and questionnaires received from Mazars for consideration by the Panel ahead of the document being signed by the Chair of the Panel and the Director of Finance.

Recommendations: That members scrutinise and comment on the responses detailed in **Appendix 1** and **Appendix 2**, so that the schedules can be signed by both the Chair of the Audit Panel and the Director of Finance ahead of them being provided to Mazars.

Corporate Plan: The Report demonstrates the Council is committed to high levels of Corporate Governance.

Policy Implications: External audit of the Council supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.

Financial Implications: There are no direct financial implications.
(Authorised by the statutory Section 151 Officer and Chief Finance Officer)

Legal Implications: Demonstrates compliance with the International Auditing Standards.
(Authorised by the Borough Solicitor)

Risk Management: Ensuring that the Council meets the required standards in terms of management assurance in relation to fraud risk assessment, laws and regulations and going concern considerations supports corporate governance objectives and ensures risk is minimised.

Access to Information: The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:

 Telephone: 0161 342 3846

 e-mail: wendy.poole@tameside.gov.uk

1 INTRODUCTION

- 1.1 To comply with International Auditing Standards, Mazars need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with the law and regulation. They are also required to make inquiries of both management and the Governing Body as to their knowledge of any actual, suspected or alleged fraud.
- 1.2 International Auditing Standards also place certain obligations on auditors to document management's view on some key areas affecting the financial statements.
- 1.3 The three specific areas covered are Fraud Risk Assessment, Law and Regulation and Going Concern Considerations.

2 ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT

2.1 A letter was sent to the Chair of the Audit Panel requesting responses to a number of questions as follows:

- How do you exercise oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
 - communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct); and
 - communicating to you the processes for identifying and responding to fraud or error.
- How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2018/19? If so, please provide details.
- How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2018/19? If so, please provide details.

In addition to the above, which cover the Council's processes and controls, the letter included further questions in an appendix to ascertain your views on fraud.

2.2 **Appendix 1** details the responses to the questioned posed in 2.1 above.

2.3 A letter was also sent to the Director of Finance requesting responses to a number of questions.

- What processes are in place at the Council to:
 - undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
 - identify and respond to risks of fraud;
 - communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct); and

- communicate to the Audit Panel the processes for identifying and responding to fraud or error.
- How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?
- Are there any actual or potential litigation or claims that would affect the financial statements?
- What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2019.

In addition to the above, which cover the Council's processes and controls, the letter included further questions in an appendix to ascertain your views on fraud.

2.4 **Appendix 2** details the responses to the questioned posed in 2.3 above.

3 RECOMMENDATION

3.1 As set out at the front of the report..

ASSURANCE PROVIDED BY THOSE CHARGED WITH GOVERNANCE

Ref	Question	Management response
1	<p>How do you exercise oversight of management's processes in relation to undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)?</p>	<p>The Council has assessed the risk of material misstatement in the financial accounts and to mitigate the risks has put in place:-</p> <p>Systems of internal control which are tested by Internal Audit on a cyclical basis. Acceptable controls were in place in the majority of the systems reviewed.</p> <p>The Council has an experienced Finance Team in place and the financial statements are prepared in accordance with an agreed action plan and checks and balances are incorporated into the process. Regular monitoring is undertaken, monthly for revenue and quarterly for capital which highlights any deviations from budget. Cost Centre Managers have to comment on all under/overspends.</p> <p>A report was presented to the Audit Panel on 12 March 2019 setting out the accounting policies and estimates for 2018/19 accounts, covering; the proposed accounting policies, the critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts.</p>
2	<p>How do you exercise oversight of management's processes in relation to identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist.</p>	<p>Within Internal Audit a dedicated resource is available to respond to all fraud referrals.</p> <p>The Council also has a risk based audit plan which covers key systems and risks and gives assurance to members and officers that the controls in place are operating effectively.</p> <p>Attendance at seminars and fraud groups to ensure that learning is shared and participation in Webinars.</p> <p>The CIPFA Fraud and Corruption Tracker Report and other key fraud reports are reviewed. Fraud Alerts/Bulletins are received from NAFN Data and Intelligence Services and various online resources including CIPFA's TIS Online and the Better Governance Forum.</p> <p>All fraud cases are reported in summary to the Audit Panel and in detail to the Internal Standards Panel.</p> <p>Financial systems are reviewed on a regular basis and high risk areas highlighted from available fraud reports and other intelligence are built into the audit planning process.</p> <p>The learning from frauds is built into audit programmes to ensure that checks undertaken are responsive to issues identified.</p> <p>Where financial irregularities are identified and investigated a control report is produced for management highlighting recommendations for improving the control environment.</p>

Ref	Question	Management response
3	<p>How do you exercise oversight of management's processes in relation to communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct).</p>	<p>Contract Term and Conditions and Partnership agreements are in place.</p> <p>Articles published in the Wire, Chief Executive's Brief and on the staff portal. Manager Team briefings. Code of Conduct in place and on the staff portal. Employment contracts, job descriptions and person specifications and induction.</p> <p>Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent on the staff portal and the public website.</p> <p>Whistleblowing policy in place.</p> <p>Professional staff (e.g. Accountants, Solicitors, Auditors and Social Workers) are also bound by codes of ethics issued by their professional bodies.</p>
4	<p>How do you oversee management processes in relation to communicating to you the processes for identifying and responding to fraud or error?</p>	<p>Progress reports are presented to the Audit Panel by the Head of Risk Management and Audit and these details work undertaken in relation to Fraud.</p> <p>The results of the National Fraud Initiative NFI which cover both Fraud and error are also reported by the Head of Risk Management and Audit.</p>
5	<p>How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?</p> <p>Are you aware of any breaches of internal control during 2018/19? If so, please provide details?</p>	<p>The Head of Risk Management and Audit Services reports to every Audit Panel and the reports contain an update on fraud cases. The Panel receives and approves the Fraud Response Plan, Internal Audit Strategy and Charter.</p> <p>All fraud investigations are regularly reported to the Standards Panel.</p> <p>The Annual Governance Statement is presented to the Audit Panel and the process involves that all Directors sign an Assurance Statement and complete a Self-Assessment Checklist to confirm that internal controls have been in place in their Directorate during the year.</p> <p>Where control weaknesses are identified as part of an Internal Audit or investigation recommendations to improve the control environment are included in an Action Plan included in the Final Report.</p>
6	<p>How do you gain assurance that all relevant laws and regulations have been complied with?</p> <p>Are you aware of any instances of non-compliance during 2018/19? If so, please provide</p>	<p>The Annual Governance Statement (AGS) and the associated assurance framework is presented to the Audit Panel, where Directors sign an Assurance Statement which covers that laws and regulations have been complied with.</p> <p>All reports are reviewed by Legal to ensure the legal implications have been fully considered.</p> <p>Significant issues identified by Internal Audit would be highlighted in the Annual Report and progress reports by the Head of Risk Management and Audit Services.</p> <p>No</p>

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	details.	
7	<p>Are you aware of any actual or potential litigation or claims that would affect the financial statements?</p> <p>If so, please provide details.</p>	<p>The Council holds an internal insurance reserve which is actuarially assessed annually for appropriateness after taking into account insurance claims activity. An insurance portfolio is in place for all major insurance covers, which is also reviewed annually.</p> <p>We have procured Insurance Brokers to provide independent advice and the Insurance Team receive regular industry bulletins keeping them up to date with new claim trends, litigation judgements and risk mitigation strategies.</p> <p>Litigation not covered by the Council's insurers is dealt with in-house by the Borough Solicitor and her Legal Team, who will assess cases on their merits, and ensure the appropriate level of expertise is employed, also ensuring that any potentially large claims are reflected appropriately in the Council's contingency arrangements. If it is assessed that a liability is likely to arise from litigation or claims then an appropriate sum will be included in the financial statements.</p>
8	<p>Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?</p> <p>If so, please provide details?</p>	<p>This is led by the Director of Finance (Section 151 Officer) and the Head of Paid Service (Chief Executive).</p> <p>This is undertaken through the budget planning process to ensure the ongoing sustainability of the Council and the budget is approved by Full Council.</p> <p>The Council is assessed as being a going concern.</p> <p>The Budget Report and MTFP are prepared in full consultation with the Single Leadership Team and Executive Cabinet with best estimates of the likely expenditure requirements and the resources available. This allows the Council to rigorously assess that the Council continues to be a going concern.</p> <p>Both Capital and Revenue monitoring continues throughout the year to provide reassurance of its belief. Regular reappraisal of the MTFP takes place together with a daily review of the cash flow.</p> <p>A review of the adequacy of reserves is undertaken by the Director of Finance (Section 151 Officer) each year, and included in the annual budget report.</p>
9	<p>Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (if 'yes', please provide details)?</p>	<p>Internal Audit has investigated several allegations of fraud and these are reported to both the Standards Panel on a regular basis and the Audit Panel. Investigations are ongoing in respect of a number of direct payment frauds, a procurement fraud, a theft and a misuse of resources.</p>

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10	Do you suspect fraud may be occurring within the organisation?	<p>All reported allegations are considered by Internal Audit and either investigated or assistance is provided to management.</p> <p>All cases are reported to the Audit Panel and the Standards Panel by the Head of Risk Management and Assurance.</p> <p>During 2018/19, 34 cases have been referred to Internal Audit. 26 Cases were considered to warrant an investigation and in 8 cases assistance was provided to management. The Tables below provides details of the cases for 2018/19.</p> <table border="1" data-bbox="544 555 1310 902"> <thead> <tr> <th>Fraud Cases</th> <th>No. of Cases</th> </tr> </thead> <tbody> <tr> <td>Cases b/Forward from 2017/18</td> <td>11</td> </tr> <tr> <td>Current Year Referrals</td> <td>15</td> </tr> <tr> <td>Total</td> <td>26</td> </tr> <tr> <td>Cases Closed</td> <td>18</td> </tr> <tr> <td>Cases still under Investigation</td> <td>8</td> </tr> <tr> <td>Total</td> <td>26</td> </tr> <tr> <td>Assistance Cases</td> <td>8 (3 Active)</td> </tr> </tbody> </table> <table border="1" data-bbox="544 936 1310 1317"> <thead> <tr> <th>Fraud Type</th> <th>No. of Cases</th> </tr> </thead> <tbody> <tr> <td>Direct Payment</td> <td>7</td> </tr> <tr> <td>Misappropriation of Service Users monies</td> <td>2</td> </tr> <tr> <td>Procurement</td> <td>3</td> </tr> <tr> <td>Falsifying expenditure claims/ manipulation of Timesheets</td> <td>2</td> </tr> <tr> <td>Misappropriation of public funds</td> <td>4</td> </tr> <tr> <td>Theft</td> <td>6</td> </tr> <tr> <td>Misuse of Resources</td> <td>2</td> </tr> <tr> <td></td> <td>26</td> </tr> </tbody> </table> <p>Where appropriate learning from irregularity investigations is shared across the Council and with schools.</p>	Fraud Cases	No. of Cases	Cases b/Forward from 2017/18	11	Current Year Referrals	15	Total	26	Cases Closed	18	Cases still under Investigation	8	Total	26	Assistance Cases	8 (3 Active)	Fraud Type	No. of Cases	Direct Payment	7	Misappropriation of Service Users monies	2	Procurement	3	Falsifying expenditure claims/ manipulation of Timesheets	2	Misappropriation of public funds	4	Theft	6	Misuse of Resources	2		26
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11	Have you identified any specific fraud risks within the Council?	<p>Within Internal Audit a dedicated resource is available to respond to all fraud referrals.</p> <p>The Council also has a risk based audit plan which covers key systems and risks and gives assurance to members and officers that the controls in place are operating effectively.</p> <p>Attendance by officers at seminars, fraud groups and participation in Webinars ensures that learning is shared and intelligence is obtained.</p> <p>The CIPFA Fraud and Corruption Tracker Report and other key fraud reports are reviewed. Fraud Alerts/Bulletins are received from NAFN Data and Intelligence Services and various online resources including CIPFA's TIS Online and the Better Governance Forum.</p> <p>All fraud cases are reported to the Standards Panel.</p> <p>Financial systems are reviewed on a regular basis.</p> <p>The high risk areas highlighted from available fraud reports and other intelligence are built into the audit planning process.</p>																																		

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		<p>The learning from frauds is built into audit programmes to ensure that checks undertaken are responsive to issues identified.</p> <p>Where financial irregularities are identified and investigated a control report is produced for management highlighting recommendations for improving the control environment.</p>
12	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?</p> <p>If not where are the risk areas?</p>	<p>Managers are responsible for implementing systems of internal control and this is confirmed annually in the Assurance Statement and Self- Assessment completed by each Director as part of the Annual Governance Statement process.</p> <p>Internal controls are reviewed by Internal Audit using a risk based audit plan and a standardised system of internal audit. Each audit is concluded by the production of a Final Report which details the recommendations made in terms of any system weaknesses and includes the management response together with a named responsible officer and deadline date. A Post Audit Review is undertaken 6 months (3 months where a low level of assurance I given) after the final is issued to ensure that all recommendations have been implemented. Any significant issues would be reported to the Audit Panel.</p> <p>At the conclusion of a fraud/irregularity investigation a control report is produced making recommendations to systems and again the report includes management responses, a named officer and a deadline date. A Post Audit Review is also conducted to ensure the recommendations have been implemented.</p> <p>As the organisation moves to flatter structures and smaller teams; the audit team has to be responsive to the effects of these changes on the traditional controls like segregation of duties and look for compensating controls/automatic system controls to ensure that the control environment is not adversely affected and the Council put at risk.</p>
13	How do you encourage staff to report their concerns about fraud?	<p>Fraud Response Plan and Whistleblowing Policy in place and available on the intranet/internet.</p> <p>During 2018/19, thirteen new cases were reported to Internal Audit.</p>
14	What concerns about fraud are staff expected to report?	The Whistleblowing Blowing Policy encourages staff to report any concerns of wrongdoing.
15	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No

Ref	Question	Management response
16	How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements.
17	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No
18	Are there particular balances in the accounts where fraud is more likely to occur?	No
19	Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No

Signed:

Kathy Roe
 Director of Finance (Section 151 Officer)
 Date:

Signed:

Councillor Vincent Ricci
 Chair of Audit Panel
 Date:

APPENDIX 2

UNDERSTANDING MANAGEMENT PROCESSES AND ARRANGEMENTS

	Question	Management Response
1	<p>What processes are in place at the Council to undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);</p>	<p>The Council has assessed the risk of material misstatement in the financial accounts and to mitigate the risks has put in place:-</p> <p>Systems of internal control which are tested by Internal Audit on a cyclical basis. Acceptable controls were in place in the majority of the systems reviewed.</p> <p>The Council has an experienced Finance Team in place and the financial statements are prepared in accordance with an agreed action plan and checks and balances are incorporated into the process. Regular monitoring is undertaken quarterly for both revenue and capital which highlights any deviations from budget. Cost Centre Managers have to comment on all under/overspends.</p> <p>A report was presented to the Audit Panel on 12 March 2019 setting out the accounting policies and estimates for 2018/19 accounts, covering; the proposed accounting policies, the critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts.</p>
2	<p>What processes are in place at the Council to identify and respond to risks of fraud;</p>	<p>Within Internal Audit a dedicated resource is available to respond to all reported fraud. The arrangements in place have been measured against CIPFA's Code of Practice - Managing the Risk of Fraud and Corruption and are compliant.</p> <p>Intelligence is obtained from numerous fraud websites, from NAFN Data and Intelligence Services which is hosted by Tameside MBC and the North West Chief Audit Executives Fraud Sub Group.</p> <p>A Whistleblowing Policy is available on Council's Website and the Intranet for staff/public to raise concerns and whistleblowing referrals are received.</p>
3	<p>What processes are in place at the Council to communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct);</p>	<p>Article in Live Wire</p> <p>Chief Executive's Brief</p> <p>Team Briefs</p> <p>Contracts of Employment/Codes of Conduct</p> <p>Gifts and Hospitality Protocol</p> <p>Professional staff are also bound by their Professional Bodies Ethical Codes of Practice.</p>
4	<p>What processes are in place at the Council to</p>	<p>The Head of Risk Management and Audit presents reports to the Audit Panel throughout the year as follows:</p>

	Question	Management Response
	communicate to the Audit Panel the processes for identifying and responding to fraud or error?	<ul style="list-style-type: none"> • Planned Work Report – May • Progress Reports – October and March • Annual Report – May <p>The planning report sets out the audit plan for the coming year which is risk based, using criteria which includes Susceptibility to Error/Fraud.</p>
5	How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?	<p>The Annual Governance Statement (AGS) and the associated assurance framework providing assurance that laws and regulations have been complied with as Directors have to sign an Assurance Statement which is based on the completion of a detailed self-assessment which covers this aspect.</p> <p>All reports are reviewed by Legal to ensure the legal implications have been fully considered.</p> <p>Significant issues identified by Internal Audit would be highlighted in the Annual Report and progress reports by the Head of Risk Management and Audit Services.</p> <p>Legal Bulletins are circulated by the Director of Governance and Pensions (Borough Solicitor) to all managers keeping them up to date with changes in the law.</p>
6	Are there any actual or potential litigation or claims that would affect the financial statements?	<p>The Council holds an internal insurance reserve which is actuarially valued regularly for Insurance claims. An insurance portfolio is in place for all major insurance covers, which is reviewed annually.</p> <p>We have procured Insurance Brokers to provide independent advice and the Insurance Team receive regular industry bulletins keeping them up to date with new claim trends, litigation judgements and risk mitigation strategies.</p> <p>Litigation not covered by the Council's insurers is dealt with in-house by the Borough Solicitor and her Legal Team, who will assess cases on their merits, and ensure the appropriate level of expertise is employed, also ensuring that any potentially large claims are reflected appropriately in the Council's contingency arrangements.</p> <p>If it is assessed that a liability is likely to arise from litigation or claims then an appropriate sum will be included in the financial statements.</p>
7	What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any	<p>Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements. This review includes: Review of all Member disclosed interests, obtaining declarations from all Directors and Assistant Directors, review of payments and receipts totals by supplier and comparison to declared interests. The identified related parties are reviewed by Senior Officers in the finance team and disclosures approved by the Assistant Director of</p>

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	transactions with these related parties during the year to 31 March 2019.	Finance and Director of Finance. The review of related parties for 2018/19 is currently in progress and will be concluded by early May 2019.																																		
8	Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (if 'yes', please provide details)?	<p>A number of irregularities were investigated during the year but they did not present any risk to the compilation of the Council's accounts.</p> <p>During 2018/19, 34 cases have been referred to Internal Audit. 26 Cases were considered to warrant an investigation and in 8 cases assistance was provided to management. The Tables below provides details of the cases for 2018/19.</p> <table border="1"> <thead> <tr> <th>Fraud Cases</th> <th>No. of Cases</th> </tr> </thead> <tbody> <tr> <td>Cases b/Forward from 2017/18</td> <td>11</td> </tr> <tr> <td>Current Year Referrals</td> <td>15</td> </tr> <tr> <td>Total</td> <td>26</td> </tr> <tr> <td>Cases Closed</td> <td>18</td> </tr> <tr> <td>Cases still under Investigation</td> <td>8</td> </tr> <tr> <td>Total</td> <td>26</td> </tr> <tr> <td>Assistance Cases</td> <td>8 (3 Active)</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Fraud Type</th> <th>No. of Cases</th> </tr> </thead> <tbody> <tr> <td>Direct Payment</td> <td>7</td> </tr> <tr> <td>Misappropriation of Service Users monies</td> <td>2</td> </tr> <tr> <td>Procurement</td> <td>3</td> </tr> <tr> <td>Falsifying expenditure claims/manipulation of Timesheets</td> <td>2</td> </tr> <tr> <td>Misappropriation of public funds</td> <td>4</td> </tr> <tr> <td>Theft</td> <td>6</td> </tr> <tr> <td>Misuse of Resources</td> <td>2</td> </tr> <tr> <td></td> <td>26</td> </tr> </tbody> </table>	Fraud Cases	No. of Cases	Cases b/Forward from 2017/18	11	Current Year Referrals	15	Total	26	Cases Closed	18	Cases still under Investigation	8	Total	26	Assistance Cases	8 (3 Active)	Fraud Type	No. of Cases	Direct Payment	7	Misappropriation of Service Users monies	2	Procurement	3	Falsifying expenditure claims/manipulation of Timesheets	2	Misappropriation of public funds	4	Theft	6	Misuse of Resources	2		26
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9	Do you suspect fraud may be occurring within the organisation?	See above.																																		
10	Have you identified any specific fraud risks within the Council?	<p>Financial systems are reviewed on a cyclical basis to ensure that they are fit for purpose and the controls are operating effectively. No major issues have been identified in any of the systems.</p> <p>Payment systems are considered to present more risks as they are open to external risk factors like the bank mandate fraud.</p>																																		
11	Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?	Internal Audit has undertaken a number of audits/reviews during 2018/19 to review the Council's internal control processes and the results of their work are reported to the Audit Panel by the Head of Risk Management and Audit Services. Where improvements have been highlighted, managers have agreed to implement the suggested																																		

	Question	Management Response
		<p>recommendations. This will aid the management of risks and support the overall control environment.</p> <p>Senior Management is responsible for the control environment and work with Internal Audit throughout the year to ensure that any proposed changes to systems and processes do not adversely affect the control environment.</p> <p>With a reducing work force more reliance is being placed on technological controls rather than on conventional controls like segregation of duties.</p> <p>All Directors sign Assurance Statements annually for the Annual Governance Statement to confirm that internal controls have been in place in their Directorate during the year.</p> <p>The Head of Risk Management and Audit presents an Annual Report to the Audit Panel in May summarising the work of Internal Audit and providing an opinion on the control environment.</p>
12	If not where are the risk areas?	All Internal Audits and Investigations generate a Draft and Final Report which detail recommendations made to improve the control environment where improvements are identified. Post Audit Reviews are undertaken six months (three months where a low level of assurance was given) after the Final Report was issued to ensure recommendations have been implemented, thus improving the controls in place.
13	How do you encourage staff to report their concerns about fraud?	Fraud Response Plan and Whistleblowing Policy in place and available on the intranet/internet. During 2018/19, 15 new cases were reported to Internal Audit.
14	What concerns about fraud are staff expected to report?	The Whistleblowing Blowing Policy encourages staff to report any concerns of wrongdoing.
15	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No
16	How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements.
17	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No
18	Are there particular balances	The risk of fraud in the financial statements is considered to

	Question	Management Response
	in the accounts where fraud is more likely to occur?	be generally low due to the nature of transactions and balances relating to the Council. The Council has a system of internal control in place which is tested on a cyclical basis by Internal Audit and no significant fraud risks have been identified. Controls in place in respect of receipts of payments are considered to be strong and minimise the risk of fraud. The Council has minimal physical assets which could be at risk of appropriation (such as stocks and stores). There are no incentives for officers to manipulate the revenues or assets of the Council.
19	Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No
20	Could a false accounting entry escape detection? If so, how?	The potential for a false accounting entry to escape detection is considered to be very low due to the segregation of duties and compensating controls, reconciliations and review processes in place across all financial systems. A false accounting entry would require collusion between a number of officers across different teams and is therefore considered to be extremely unlikely.
21	Are there any external fraud risk factors, such as collection of revenues?	Payment systems are considered to present more risks as they are open to external risk factors like the bank mandate fraud.
22	Are you aware of any organisational or management pressure to meet financial or operating targets?	No
23	Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	No pressure is being applied or incentives offered to meet financial or operating targets. All senior officers within the Finance Team are members of professional bodies and bound by a code of ethics.
24	What arrangements has the Council put in place in response to the Bribery Act 2010?	The Council has put in place guidance for Managers and Employees which is available on the Staff Portal.

Signed:

Dated:

Kathy Roe
Director of Finance (Section 151 Officer)