

## APPENDIX 2 – RESPONSE ON FRAUD, LAWS AND REGULATIONS, AND GOING CONCERN ISSUES

### FRAUD RISK ASSESSMENT

Question	Management Response
[1] Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?	The risk of fraud is considered as an integral part of the process for drawing up the statement of accounts. No significant issues were identified as part of this process.
[2] What processes does the Council have in place to identify and respond to risks of fraud?	These issues are covered in the Review of Fraud, Bribery and Corruption Issues report elsewhere on this agenda
[3] Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
[4] Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?	The Annual Governance Statement sets out a review of the effectiveness of the internal control framework and current significant governance issues.
[5] 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)?	There is an effective financial management reporting function within the Council for both accountancy and audit, with direct reporting lines to both the Joint Managing Directors and Members.
[6] Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	
[7] What arrangements are in place to report fraud issues and risks to the Audit Committee?	These arrangements include quarterly internal audit reports and an annual fraud risk report
[8] How does the Council communicate and encourage ethical behaviour of its staff and contractors?	There are various arrangements in place to achieve this objective including an officer code of conduct and specific clauses included in our contractual terms and conditions

<b>Question</b>	<b>Management Response</b>
[9] How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	There are various arrangements in place to achieve this objective including a Whistleblowing Code that is regularly reviewed and communicated to staff. No significant issues were reported in the year
[10] Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Related party relationships were reviewed as part of the process of completing the accounts and no issues were identified
[11] Are you aware of any instances of actual, suspected or alleged, fraud, within the Council since 1 April 2012?	These issues are covered in the Review of Fraud, Bribery and Corruption Issues report elsewhere on this agenda

<b>Question</b>	<b>Audit and Governance Committee Response</b>
[12] How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	There are a wide range of reports that are presented to the Audit and Governance Committee each year concerning the internal control framework including the risk of fraud
[13] Is the Audit Committee aware of any actual, suspected or alleged fraud?	These issues are covered in the Review of Fraud, Bribery and Corruption Issues report elsewhere on this agenda
[14] Has the Audit Committee considered the risk of material misstatements (misreporting) by management?	It is considered that these are low risk areas
[15] What is the Audit Committee's assessment of the impact of misappropriation on the statements?	

## IMPACT OF LAWS AND REGULATIONS

Question	Management Response
[16] What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	These arrangements include legal and member services scrutiny of all Committee reports, an Officer Code of Conduct and Whistleblowing Code, and internal audit reviews
[17] How does management gain assurance that all relevant laws and regulations have been complied with?	The arrangements set out above would ensure that any issues that are identified would be reported to management
[18] Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2012, or earlier with an on-going impact on the 2012/13 financial statements?	The 2012/13 financial statements have not been affected by this type of issue
[19] What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	These matters are discussed by the Borough Solicitor and Borough Treasurer on a periodic basis or as and when issues arise
[20] Is there any actual or potential litigation or claims that would affect the financial statements?	These issues are covered in the provisions and contingent liability notes to the statement of accounts
[21] Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	There have not been any reports that indicate non compliance
[22] How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Any issues of this type would be covered in the standard suite of reports to the Committee. The Borough Solicitor also attends each Committee meeting

Question	Audit and Governance Committee Response
[23] Is the Audit Committee aware of any non-compliance with relevant laws and regulations	We are not aware of any issues of non compliance that affect the financial statements
[24] If there have been instances of non-compliance, what oversight has the Audit Committee had to ensure that actions are taken by management to address any gaps in control?	Not applicable

## GOING CONCERN CONSIDERATIONS

Question	Management Response
[25] Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	These procedures include the medium term financial planning process and the annual budget setting process
[26] Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	The Council has set a balanced budget for 2013/14 and has plans in place to achieve a balanced budget for 2014/15. A new business plan for the period 2015-18 is currently being developed
[27] Are arrangements in place to report the going concern assessment to the Audit Committee?	Details on the Council's financial position are reported to all Members through reports to Council and not just to the Audit and Governance Committee
[28] Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Business Plan and the financial information provided to throughout the year?	Figures in the Business Plan are taken directly from the medium term financial forecast
[29] Are the implications of statutory or policy changes appropriately reflected in the Business Plans, financial forecasts and report on going concern?	New developments of this type are specifically considered in the process of drawing up the medium term financial forecast
[30] Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	There have been no significant issues of this type
[31] Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No adverse financial indicators of this type have been identified. In relation to cash flow the Council has an average level of external investments of around £22m over the course of the year

<b>Question</b>	<b>Management Response</b>
<p>[32] Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>The Council has a proven track record of delivering its business plan objectives and there have been no changes to the senior management team in the last 12 months.</p>

<b>Question</b>	<b>Audit and Governance Committee Response</b>
<p>[33] Has the Audit Committee assessed the process Management has followed in forming a view on going concern and the assumptions on which the view is based.</p>	<p>These issues are considered by full Council rather than the Audit and Governance Committee. Recent financial reports indicate that the Council currently has a healthy financial position</p>