

## Discussions with Those Charged with Governance

<b>Date</b>	28 February 2019
<b>Venue</b>	Guildford Borough Council
<b>Completed by</b>	Claire Morris, Director of Finance Joan Poole, Audit and Business Improvement Manager

Item	Description	Comment
1	Have you assessed the risk of material misstatement in the financial statements due to fraud and what are the results of this process?	<p>Yes Fraud risks are identified as part of each internal audit and in the internal audit planning process. Appropriate controls and checks are in place to assess that they are working as expected. Where there are potential problems with controls such as a lack of separation of duties due to limited resources we would expect to see mitigating management controls in place and the problem would be highlighted in the audit report. The results of each audit are fed into the audit planning database and the risk profile of the service is amended according to audit findings. The results of internal audits are reported to Corporate Governance and Standards Committee bi-annually. We audit high risk areas annually although experience has shown that problems are more likely to occur in the smaller outstations where local working practices become the norm and controls are relaxed. Also Surrey Chief Accountants group, and Surrey Treasurers share fraud experiences which would highlight any potential fraud. Appropriate officers receive National Fraud Awareness Network (NFAN) bulletins on a regular basis which alerts them to potential threats and take part in the annual NFAN exercises. During 2018 we also took part in the Surrey Counter Fraud Initiative to assess the level of tenancy fraud.</p> <p>Areas perceived to be highest risk affecting the financial statements are Housing benefit, Council Tax Income, Business Rates, right to buy housing sales, cash collections and supplier fraud. Whilst we acknowledge that fraud exists in these areas, no significant fraud has been identified for 2018-29 and we do not assess that the impact of fraud is material to the financial statements.</p>

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2	What processes do you have in place to identify and respond to the risks of fraud?	<p>Each department with financial responsibility has systems of internal control in place. The council is required to provide an annual governance statement to the Corporate Governance and Standards Committee that requires senior management to attest to the internal controls in place. The annual internal audit programme is reviewed by the Corporate Governance and Standards Committee and reports are presented on a regular basis to the committee.</p> <p>In addition, the Council has an officer Corporate Governance group which meets quarterly. The Head of Internal Audit attends the group along with the statutory officers and deputies. Any fraud issues, weaknesses in Internal Control and actions required to address issues are discussed as part of the agenda.</p> <p>We take part in annual NFAN data matching exercises and assess the results. During 2018 we also became members of the Surrey Counter Fraud Initiative and will take part in various exercises to identify council tax, housing tenancy and business rates fraud.</p>
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?	<p>There is always the risk of fraud within an organisation of the size and diversity of Guildford Borough Council. Fraud is included in the audit planning risk process. The risk register is based on value, volume, past history, staff turnover, political sensitivity and the level of change within the service. Fraud risks are identified as part of each audit and we audit high risk areas annually. Audit testing gives assurance that the appropriate controls and checks are in place and working as intended. Experience shows that fraud is more likely to occur in the smaller outstations where local working practices become the norm and controls are relaxed or circumvented. The audit plan includes a rolling programme of reviews of financial controls at the outstations. The other major area of risk is in areas where there is significant change and high staff turnover and we work closely with these services to ensure that any new systems or processes have the necessary control framework. . There are no specific areas that have been drawn to the attention of the Corporate Management Team and the Corporate Governance and Standards Committee.</p> <p>Areas perceived to be highest risk are Housing benefit, Council Tax Income, Business Rates, Right to buy Housing sales, tenancy fraud and supplier fraud but there is an increasing risk of money laundering frauds in the South East given the pressures on housing and the substantial right to buy discounts that are now available. We are tightening our controls in these areas to minimise the risks.</p> <p>To mitigate the risk of tenancy fraud we are working with the government’s Immigration and Enforcement</p>

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		Team and have undertaken a series of training sessions for staff in Housing, Licensing and Customer Services on identifying tenancy fraud and money laundering.
4	Do you have any knowledge of any actual, suspected or alleged fraud affecting the entity?	We have no knowledge of any actual or suspected or alleged fraud during 2018-19.
5	Are internal controls, including segregation of duties, in place and operating effectively?	We believe so. The constitution was fully revised during 2014-15 to update the controls in place and is being maintained through regular reviews as key staff change. A summary of internal audit reports for the first 6 months of the year shows that there were no significant or material control issues and the controls were working as expected. Any issues identified in these audits are being followed up by internal audit. An officer Corporate Governance Group is in place and meets quarterly which includes Monitoring Officer & Deputy, Head of Paid Service, Head of IA, Chief Information Officer, Data Protection Officer and the Deputy CFO.
6	If not, where are the risk areas and what mitigating actions have been taken?	There is an effective control framework in place but the current economic climate means that staffing levels are kept to a minimum and there are sites where separation of duties cannot be enforced because of limited resources. In such cases, mitigating management controls are put in place and this is fed into the audit risk profile of the service. In addition, there have been a number of structural changes and service reviews within the Council and this always increases the risk that internal controls will be overlooked or degrade. We are aware of this risk and Internal Audit will work with managers in the relevant areas to ensure that appropriate operational and management controls are incorporated into any new processes or structures.
7	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)?	Not that we are aware of
8	Are there any areas where there is a potential for misreporting?	Not that we are aware of
9	How do you exercise oversight over management's processes for identifying and	The Corporate Governance and Standards Committee received regular internal audit progress reports and financial monitoring reports. In addition, the chairman and vice-chairman of the committee are regularly

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	responding to risks of fraud?	briefed if there are issues. The Council has a system of internal control established through the financial procedure rules. These set out the roles and responsibilities of officers in relation to fraud and financial management.
10	What arrangements are in place to report fraud issues and risks to the Corporate Governance and Standards Committee?	<p>Any significant incidents of fraud or internal control failures would be drawn to the attention of the Corporate Governance and Standards Committee. The Committee receives a summary of all audit work twice a year including investigations. The Chair of the Committee and the Lead Member for Governance are notified of all material incidents at the point of discovery. The reporting mechanism for reporting any frauds and subsequent investigations includes notifying:</p> <ul style="list-style-type: none"> <li>• the Managing Director</li> <li>• the Monitoring Officer</li> <li>• the relevant Directors and Head of Service</li> <li>• the Chair of the Corporate Governance and Standards Committee</li> <li>• the Lead Member for Governance</li> </ul>
11	How do you communicate and encourage ethical behaviour of staff and contractors?	<p>In addition, the Council has a system of internal control established within the Financial Procedure rules and Code of Conduct, which sets out the roles and responsibilities of officers in relation to fraud and financial management.</p> <p>There is an officer corporate governance group which meets quarterly and for which minutes are prepared.</p> <p>There are policies and procedures in place that set out the expectations of staff with regard to their conduct. Codes of Conduct for both officers and Councillors is included in the Council's Constitution and given to new staff as part of a starter pack. There is a register of interests for staff held within HR to record any conflicts.</p> <p>Councillors, the Corporate Management Team and senior leaders complete declarations of interest as part of the annual related party transaction return, which are checked by the Senior Accountant. Professional Staff also have codes of conduct and ethical codes relating to their professional institutes.</p>
12	How do you encourage staff to report their concerns about fraud and have any significant issues been reported?	<p>The Councillors register of interest is held by the monitoring officer and published on our website. The monitoring officer reports a quarterly ethical update to the corporate governance and standards committee.</p> <p>The Council has a whistleblowing policy, Fraud and Corruption Policy and an Anti-Bribery Policy. There is a Code of Conduct for both staff and Councillors and managers are encouraged to come forward with concerns and report any inappropriate behaviour. No issues have been reported</p>

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13	Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Not that we are aware of
14	What arrangements do you have in place to prevent and detect non-compliance with laws and regulations?	<p>The council has an internal control and governance framework (the constitution) in place to ensure that it operates in accordance with its legal and regulatory obligations. It also has a Legal Department in place to provide professional assistance. The Legal Services team subscribes to daily on-line and periodic hard copy updates on all aspects of the law which they deal with from time to time and attend formal training sessions on significant or topical developments in law. They arrange appropriate briefings for the relevant client service as necessary.</p> <p>We are not aware of any areas on non-compliance with the Law. The complaints process is the main way of picking up any issues along with the corporate governance group and internal audit review. The Council has a corporate procurement board which meets monthly to review procurement practice and look at exemptions and breaches if there are any.</p>
15	How does management gain assurance that all relevant laws and regulations have been complied with?	<p>All decisions made by the Council and its Executive require a report which is reviewed by both the legal team for compliance with laws, and the finance team to assess the accounting and cash flow impact of the decision. The Council's legal team are staffed with appropriately qualified staff, including fully qualified solicitors. Legal services circulate a monthly newsletter providing an update for officers on any changes in legislation affecting their service area and the outcome of any recent legal cases showing how case law would be applied.</p> <p>Appropriate training is provided to both Councillors and Officers as necessary.</p>
16	How are you provided with assurance that all relevant laws and regulations have been complied with?	The Corporate Governance and Standards Committee receives an annual governance statement that evidence compliance. There are periodic inspections from external agencies such as the ICO as well as internal audits. The outcomes from these inspections are reported to the Corporate Governance and Standards Committee.
17	Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2018?	No - the Council is made good progress in implementing the requirements and changes necessary to comply with the General Data Protection Regulations and we believe we are now fully compliant. We anticipate that any breaches would be picked up through internal reviews and our complaints system.

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18	What arrangements do you have in place to identify, evaluate and account for litigation or claims?	<p>Any potential litigation sent to the Council is forwarded to the legal department who evaluate it. Material litigation would be discussed at the Corporate Governance Group and in CFO meetings. The Council seeks the use of external advice and solicitors where necessary to defend litigation claims.</p> <p>The accounting treatment is assessed by the finance team at year end. The Senior financial reporting accountant speak to the legal team at year end for composition of contingent liabilities note.</p>
19	Are there any actual or potential litigation or claims that would affect the financial statements?	Not that we are aware of.
20	Have there been any reports from other regulatory bodies, such as HMRC, which indicate non-compliance?	None during 2018-19