

## Discussions with Those Charged with Governance

<b>Date</b>	26 <sup>th</sup> March 2015
<b>Venue</b>	Guildford Borough Council
<b>Present</b>	Corporate Governance and Standards Committee

<b>Item</b>	<b>Description</b>	<b>Comment</b>
a	Have you assessed the risk of material misstatement in the financial statements due to fraud?	<p>Yes. We identify fraud risks 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 issues 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.</p> <p>In addition, Surrey Chief Accountants group, and Surrey Treasurers share fraud experiences, which would highlight any potential fraud.</p> <p>Appropriate officers receive NFAN bulletins on a regular basis which alerts them to potential threats</p>
b	What are the results of this process?	No significant fraud has been identified for 14-15
c	What processes do you have in place to identify and respond to the risks of fraud?	Each department with financial responsibility has systems of internal control in place. The council is required to provide an annual

**Item Description**

**Comment**

governance statement to the Corporate Governance and Standards Committee that requires senior management to attest to the internal controls in place. In addition, the Corporate Governance and Standards Committee review the annual internal audit programme and reports are presented on a regular basis to the committee.

d Have any specific fraud risks, or areas with a high risk of fraud, been identified, and what has been done to mitigate these risks?

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, Corporate Governance Group or the Corporate Governance and Standards Committee.

Areas perceived to be highest risk are Housing Benefit, Council Tax Income, Business Rates and supplier fraud.

Management and budgetary controls are designed to limit risk. At Guildford there would have to be significant collusion covering many

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e	Are internal controls, including segregation of duties, in place and operating effectively?	<p>staff at many levels for a fraud to go undetected. Creditors are audited annually</p> <p>We believe so. We revised the constitution during 14-15 to update the controls in place. A summary of internal audit reports for the first six months of the year show there were three services that were given limited assurance, which were Neighbourhood and Housing Management minor works and gas servicing service, Licensing and Fleet Management (lease cars).</p> <p>Corporate Governance Group meets to review governance arrangements quarterly; the group includes the Monitoring Officer &amp; Deputy, Head of Paid Service, Head of IA, and the two Deputy CFO's.</p>
f	If not, where are the risk areas and what mitigating actions have been taken?	<p>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 these always increase 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.</p>
g	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
h	Are there any areas where there is a potential for misreporting?	Not that we are aware of

**Item Description**

i How do you exercise oversight over management's processes for identifying and responding to risks of fraud?

**Comment**

Through regular reports to the Corporate Governance and Standards Committee, which has recently reviewed the whistleblowing policy.

New employees are given a copy of the Code of Conduct. Whistleblowing policy and procedures are also on the Guildford intranet – (LOOP).

j What arrangements are in place to report fraud issues and risks to the Audit Committee?

Any significant incidents of fraud or internal control failures would be drawn to the attention of the Corporate Governance Group and 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:

- the Managing Director
- the Monitoring Officer
- the relevant Executive Head of Service
- the Chair of the Corporate Governance and Standards Committee
- the Lead Member for Governance

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.

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k	How do you communicate and encourage ethical behaviour of staff and contractors?	<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 are included in the Council's Constitution and given to new staff as part of a starter pack. If managers suspect fraud they will involve Internal Audit (as required by Financial Procedure Rules)</p> <p>Councillors and the Corporate Management Team complete declarations of interest, which a Principal Accountant reviews when preparing the related party transactions note in the accounts. Staff and Councillors have codes of conduct and ethical codes relating to their professional institutes. Conflicts of interest should be declared and Human Resources hold details.</p> <p>Management and budgetary controls are in place for financial systems and the management of contractors</p>
l	How do you encourage staff to report their concerns about fraud?	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.
	Have any significant issues been reported?	No.
m	Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No
n	Are you aware of any instances of actual, suspected or alleged fraud, either within the Council as a whole or within specific departments since 1 April 2014?	Not that we are aware of
o	What arrangements do you have in place to prevent and detect non-compliance with laws and regulations?	The council has an internal control and governance framework in place to ensure that it operates in accordance with its legal and

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p	How does management gain assurance that all relevant laws and regulations have been complied with?	<p>regulatory obligations. It also has an internal legal department to provide professional assistance.</p> <p>Appropriate training is provided for all changes in accounting regulations. Membership of CIPFA's publication scheme ensures that the most recent Codes of Practice are available each year together with practitioner notes.</p> <p>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>
q	How are you provided with assurance that all relevant laws and regulations have been complied with?	<p>The Corporate Governance and Standards Committee receives an annual governance statement that evidences compliance. There are periodic inspections from external agencies such as the Information Commissioner's Office(ICO). The outcomes from these inspections are reported to the Corporate Governance and Standards Committee.</p>
r	Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2014?	None that we are aware of.
s	What arrangements do you have in place to identify, evaluate and account for litigation or claims?	The council has a professional legal services team who deal with all claims and litigation.
t	Are there any actual or potential litigation or claims that would affect the financial statements?	<p>Together with all authorities providing a Land Charges service we are affected by the ongoing national litigation regarding personal search fees. We are aware of a potential threat of judicial review proceedings from the Guildford Hackney carriage association regarding historic taxi fees but a claim has not been formerly lodged against us.</p>
u	Have there been any reports from other regulatory bodies, such as HMRC, which indicate non-compliance?	None that we aware of.

