

Discussions with Those Charged with Governance

Date

Venue Guildford Borough Council

Present

Item	Description	Comment
a	Have you assessed the risk of material misstatement in the financial statements due to fraud?	<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.</p> <p>Areas perceived to be highest risk are Housing benefit, Council Tax Income, Business Rates and supplier fraud.</p> <p>Management and budgetary controls are designed to limit risk.</p> <p>Also 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>

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b	What are the results of this process?	No significant fraud has been identified for 16-17.
c	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>
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?	<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 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 no available. We are tightening our controls in these areas to minimise the risks. Tenancy Fraud also seems to be increasing. To mitigate the risk we are working with the government’s Immigration and Enforcement Team and have arranged a series of training sessions for staff in Housing, Licensing and Customer Services on identifying tenancy fraud and money laundering. The training will be rolled out to other services in 2017-18.</p>

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		Creditors are audited annually.
e	Are internal controls, including segregation of duties, in place and operating effectively?	<p>We believe so. The constitution was revised during 14-15 to update the controls in place. 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.</p> <p>An officer Corporate Governance Group is in place and meets quarterly which includes Monitoring Officer & 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 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.</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
i	How do you exercise oversight over management's processes for identifying and responding to risks of fraud?	<p>The Corporate Governance and Standards Committee received regular internal audit progress reports and financial monitoring reports. In addition, the chairman and vic-chairman of the committee are regularly 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.</p>

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j	What arrangements are in place to report fraud issues and risks to the Audit 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"> • the Managing Director • the Monitoring Officer • the relevant Directors and Head of Service • the Chair of the Corporate Governance and Standards Committee • the Lead Member for Governance <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>
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 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 Principal Accountant. Professional Staff also have codes of conduct and ethical codes relating to their professional institutes.</p> <p>The Councillors register of interest is held by the monitoring officer and published on our website. The monitoring officer now reports a quarterly ethical update to the corporate governance and standards committee.</p>
l	How do you encourage staff to report their concerns about fraud?	<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.</p>

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	Have any significant issues been reported?	No issues have been reported that we are aware of.
m	Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Not that we are aware of.
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 2016?	No
o	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 also has a newly formed corporate procurement advisory panel which meets quarterly to review procurement practice and look at exemptions and breaches if there are any.</p> <p>We did receive a complaint in relation to a recent tender exercise for the capital project at Guildford Museum however, the complainant did not tender for the works and therefore this was investigated under the council's complaints procedures. As part of the complaint investigation, we reviewed the procurement process for the project and the evaluation and award of the tenders and did not find any material issues.</p>
p	How does management gain assurance that all relevant laws and regulations have been complied with?	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 and are accredited by Lexcel. 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

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		showing how case law would be applied.
		Appropriate training is provided to both Councillors and Officers as necessary.
q	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.
r	Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2016?	<p>The Council reported in its 2015-16 Annual governance statement that we were not fully compliant with the Openness of Local Government Bodies Regulations 2014 and the Government Transparency Code 2015. We believe this continues to be the case. In the case of the Openness of Local Government Bodies Regulations 2014, the Council does not currently publicly report decisions that have been made by Officers under delegated authority although the decisions would be available on request. Some of these decisions may be exempt from publication however, it is not clear that all decisions are exempt.</p> <p>In relation to the transparency code, the council reports the majority rather than all of the data that is mandated to be reported. In particular it has problems publishing contract details and spend against contracts. This is being addressed through the introduction and roll out of a new INTend e-tendering system which is now in place but has not operated fully over the course of the last year. The Corporate Procurement Advisory Panel is monitoring the situation and addressing an action plan to ensure full compliance in due course.</p> <p>Otherwise we believe we are compliant with the law and regulations. We anticipate that any breaches would be picked up through internal reviews and our complaints system. In relation to previous year issues around procurement the Council has made significant progress including:-</p> <ul style="list-style-type: none"> • Full review and overhaul of our procurement procedure rules • introducing a new corporate procurement advisory panel to spread good practice, monitor compliance and review exempts and breaches • introduction of the new INTend e-tendering system which is currently being rolled out to all departments

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- introduced a new procurement toolkit to provide advice and guidance to procuring managers and to ensure compliance

Appropriate training is provided for all changes in accounting regulations. CIPFA membership ensures that the most recent Codes of Practice are purchased each year together with practitioner notes.

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

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, we also have a full insurance policy under which external lawyers would act on behalf of the Council in respect of public liability claims. Any claims would be notified to either the Insurance Manager or the legal team (or in many cases, both).

The Council has a professional legal services team who deal with all claims and litigation. The legal services is accredited with Lexcel by the Law Society demonstrating excellence in practice management and client care. Lexcel also ensures appropriate risk management procedures are in place.

t Are there any actual or potential litigation or claims that would affect the financial statements?

There are no potential legal claims that would affect the financial statements for 2016-17. As part of the discussions with Management, the council's statutory officers have provided an update to the audit team in relation to ongoing legal disputes with the Guildford Hackney Carriage Association and our previous pay by phone contractor. These disputes are very unlikely to result in any liability for the Council and in fact should result in the recovery of money.

There is an on-going civil claim from the families of the victims of the GLive incident in 2013, against a number of parties, one of which is the council. The matter is being handled by the Council's insurers, and we do not believe it will result in any significant liability for the Council that is uninsured and would therefore affect the Council's financial statements. Management have provided the auditors with an update on this case following the November 2016 prosecution of the company which manufactured the door.

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u	Have there been any reports from other regulatory bodies, such as HMRC, which indicate non-compliance?	None during 2016-17