

Grant Thornton**Fraud and corruption survey 2013-14 – questions for the Chairperson****1 How does the Authority oversee management's processes in relation to:**

- **carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error;**
 - The Authority appoints appropriately qualified staff;
 - There is a comprehensive governance system in place including Financial Procedure Rules, Contract Procedure Rules, Financial Instructions, Scheme of Delegation, Ordering Procedures, Petty Cash Procedures, standard forms etc. that provide assurance that the risk of fraud is minimised. This is reviewed by the Primary Assurance Group annually and the outcome of that review is reported to Members as part of the corporate governance review, the outcome leads in to the annual governance statement approved by Members.
 - There are no entries or omissions in the accounting records that are false or intentionally misleading.
 - The budgetary control system provides controls that ensure expenditure and income is matched to agreed budgets.
 - Budgets are managed by budget managers and their activity is supervised by the Business Support Manager, the Director of Finance and Chief Officers.
 - Where there are unexpected variations from expected activity then an explanation is sought and provided by the budget manager.
 - The explanation of variances is provided to Members as part of both the annual Out Turn report and the statement of accounts.
 - Contract payments for major contracts are the most significant area of payment by the Authority – the risk of fraud/error here is recognised and all such payments are reviewed, scrutinised, checked and counter signed before any payment is made
 - Contract tonnages paid for are subject to independent verification by the Authority and the Contractors – so opportunities for mis-statements are very limited.
 - No assets or liabilities were included or excluded improperly from the Authority's accounts
 - The likelihood of a false accounting entry escaping detection is small because of the systems of checks and balances in place at the Authority – this is reviewed by both internal and external audit annually.
 - There are no significant external risk factors that are not already considered.

➤ **identifying and responding to the risk of breaches of internal control;**

- There is a comprehensive governance framework in place. The framework is reviewed annually by the Authority's Primary assurance Group (PAG) which is made up of the statutory officers of the Authority, supplemented by other senior staff as required. The PAG review takes place at various points of the year over a number of days. It reviews the whole of the corporate governance framework looking back at how successful it has been in achieving its aims and forward to how it can be improved in the future. This review is then signed off by the Chief Executive's overview to ensure the arrangements for PAG are effective. Then the work of PAG is summarised in the Annual Governance Statement for the Authority which is approved by Members at a meeting of the Authority.
- An effective internal audit is in place which reviews the adequacy and effectiveness of the corporate governance arrangements at the Authority as part of its annual programme of work.

➤ **identifying and responding to risks of fraud in the organisation (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); and**

- There are no reasons to suspect fraud may be occurring at the Authority.
- There is a comprehensive system of governance and controls in place at the Authority to minimise the risk of fraud.
- The Authority does not deal with any significant cash or cash equivalent based transactions which reduces the risk of fraud.
- All payments including significant contract payments are subject to segregation of duties, review and authorisation before being paid – which minimises the risks of fraud.
- There are no significant cash payments received by the Authority and so the opportunities for fraud are limited.
- There are no locations within the Authority where the risk of fraud is more likely to occur as the controls are applied across the board.

➤ **communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct).**

- There is an anti- fraud and corruption strategy that is reviewed annually and drawn to the attention of staff that sets the framework for staff to identify and report their concerns about fraud.
- There is also a whistle-blowing policy in place which provides staff with an alternative and safe way of raising their concerns if the anti-fraud and corruption strategy does not provide them with enough support.
- Staff are expected to report any and all concerns about fraud.
- There are regular corporate training sessions for staff and Members on the key elements of the governance framework

2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.

- No
- There have been no allegations of suspected or actual frauds occurring during the year
- If there were any allegations relating to fraud then these would be brought to my attention by the Chief Executive and Members of his management team
- If there were allegations about the Chief Executive and his management team these would be brought to my attention by the Clerk to the Authority or through the whistleblowing procedure which is in place and which all staff are made aware of.

3 How does the Authority gain assurance that all relevant laws and regulations have been complied with?

- The Authority has a statutory responsibility to employ a Monitoring Officer, whose role is to ensure the Authority complies with all relevant laws and regulations;
- The Monitoring Officer accesses daily updates from Government on new and changed legislation that affects local government and the Authority in particular with a view to ensuring the Authority is able to respond to any changes in requirements.
- Individual managers respond to updates from the Monitoring Officer, and as professionally qualified officers of the Authority maintain a review of their own areas of expertise to ensure compliance, for example the HR function is reviewed fully by the Assistant Corporate Services Manager, environmental legislative requirements are reviewed by the Facilities Manager and his team, finance requirements are reviewed by the Director of Finance;
- In addition to this the Authority has an arrangement with Eversheds to provide legal advice on all reports that go to the Authority – to ensure legal requirements have been fully considered before the reports are reviewed by Members
- The Authority also seeks advice on legal matters on an ad-hoc basis from Eversheds in particular and from other legal advisers as appropriate on matters where a legal issue is under consideration;
- The Clerk to the Authority provides a good source of check on the way the Authority complies with its own procedures ensuring that officers are reminded of their duties under the procedures and do not seek to go beyond them
- The Authority's procedures are part of a constitutional framework designed to ensure the Authority does what it has the powers and responsibilities to do, and does not go beyond them.

4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

- During the final part of the RRC there was a significant threat of legal action by the losing bidder. The action sought a re-run of the evaluation, re-scoring of the bids, and or compensation and damages.
- The potential cost of the damages originally claimed was very significant; the Authority resisted the pressure to settle and relatively quickly was able to agree a settlement that dismissed all claims, in a much smaller sum. The cost of reaching the settlement, was not just the cost of paying the failed bidder an agreed amount, but was also the cost of the legal advice sought and received in order to ensure the Authority was able to meet the challenge successfully.

- There are no other significant legal actions that may affect the financial statements.