

AUDIT COMMITTEE – 19 JULY 2012

Purpose	As part of the annual audit processes, External Auditors are required to understand management processes regarding Fraud; Law and regulations; Going concern; and Related parties. This paper sets out the management response to these areas.
Recommendations	The Audit Committee is asked to: CONSIDER the management responses set out within this paper and CONFIRM to external audit that this represents the Committee's understanding of these processes
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In planning and performing the financial statements, the Audit Commission needs to understand how the Audit Committee, supported by the Council's management teams, meets its responsibilities in the following areas.

- Fraud
- Law and regulation
- Going concern
- Related parties

This paper sets out the Council's responses to each audit consideration.

Fraud

Audit consideration	Thurrock Council response
1. Management's assessment of the risk of material misstatement in the financial statements due to fraud.	Aware of instances of Housing Benefit and Tenancy Fraud. These are reported annually through the Audit Commission's Annual Fraud Survey process. These are managed by a dedicated HB Fraud Team which reports to the Head of Corporate Finance and a Housing Tenancy Team which reports to the Landlord Services & Strategic Commissioning Manager.
2. Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2011?	During 2011/12 concerns were raised about the potential fraud risks other than HB and Tenancy. These would include Schools Admissions, Payments to Carers, Blue Badges and the handling of cash at events such as T-Fest.
3. Do you suspect fraud may be occurring, either within the Council or within specific departments? Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within the Council where fraud is more likely to occur?	During 2011/12 concerns were raised about the potential fraud risks other than HB and Tenancy. These would include Schools Admissions, Payments to Carers, Blue Badges and the handling of cash at events such as T-Fest.
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively? If not where are the risk areas?	Yes.

Audit consideration	Thurrock Council response
<p>What other controls are in place to help prevent, deter or detect fraud?</p>	<p>Whistle-blowing policy, HB Fraud Team, Housing Tenancy Fraud Team.</p>
<p>5. How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud?</p>	<p>Internal Audit intranet and the Council's website has an anti-fraud and corruption strategy which explains how fraud should be reported. This is due to be reviewed in 2012/13 with the move to a corporate fraud team.</p>
<p>6. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?</p>	<p>Treasury Management Officer. Risks are identified, assessed and managed through the HR process as part of the appointment to a post. Once in post, the system of internal checks and balances set out firstly in the annual TM Strategy and then, secondly, within the separation of duties within the TM Team provides fraud controls. TM activities are subject to regular audit, (both internal and external).</p>
<p>7. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p>
<p>8. Are you aware of any entries made in the accounting records of the authority that you believe or suspect are false or intentionally misleading?</p>	<p>No.</p>

Audit consideration	Thurrock Council response
<ul style="list-style-type: none"> ■ Are there particular balances where fraud is more likely to occur? ■ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of the authority? ■ Could a false accounting entry escape detection? If so, how? ■ Are there any external fraud risk factors, such as benefits payments or collection of tax revenues, which are high risk of fraud? 	<p>No.</p> <p>No.</p> <p>No. All entries subject to scrutiny by Accountancy and External Audit.</p> <p>Obviously HB presents a risk of fraud, and for this reason the Council has a HB Fraud Investigation Team.</p>
<p>9. Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <p>Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>No.</p> <p>No.</p>
<p>10. What arrangements are in place to report fraud issues to</p>	<p>As part of the work plan of the Committee, fraud issues are reported at least annually as part of the performance report for counter-fraud activity across the Council, and where specific significant frauds have</p>

Audit consideration	Thurrock Council response
Audit Committee?	been detected, these would be included in the relevant internal audit report.

Law and Regulation

Audit consideration	Thurrock Council response
1. How does management gain assurance that all relevant laws and regulations have been complied with.	A Governance Board, comprising the Chief Executive, the Head of Legal and Democratic Services, the Director of Finance & Corporate and other relevant officers meets monthly. Any issues regarding potential breaches of legislation or regulation are addressed at these meetings.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with.	The Director of Finance & Corporate Governance attends all meetings of the Audit Committee, and must report any actual or potential breaches of legislation or regulation at the earliest opportunity.
3. Have there been any instances of non-compliance with law and regulation since 1 April 2011.	No.
4. Is there any actual or potential litigation or claims that would affect the financial statements.	No.

Going concern

Audit consideration	Thurrock Council response
1. Have you carried out a preliminary assessment of the going concern assumption and if so	Yes. The Audit Committee received a report on 23 February 2012 on financial resilience, agreeing 12 key indicators that would be reported annually to the Committee (each February) that include 'going concern'

Audit consideration

have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

Thurrock Council response

measures. At officer level, these performance indicators are tested quarterly.

Related Parties**Question**

1. Does the Council have any new related parties (ie beyond those disclosed at 31 March 2011)? Please list them, explain their nature and whether the Council has entered into any transactions with these new related parties during 2011/12 financial year.

Response

No.

2. What are the controls in place to identify, account for, and disclose, related party transactions and relationships?

All elected members, independent advisers and senior officers (i.e., members of the Leadership Team - The Chief Executive, Directors and Heads of Service) are required annually to complete disclosure declarations. These form part of the working papers for the production of the financial statements, and where material or otherwise relevant are disclosed in the notes to the statements.