

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 26 JUNE 2013

Title of report	ARRANGEMENTS IN RESPECT OF FRAUD AND CORRUPTION
Contacts	<p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p>
Purpose of report	To consider the External Auditor's request for assurances about the Council's arrangements for dealing with fraud and corruption and legislative compliance as part of compliance with International Auditing Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	Arrangements for compliance with laws and regulations and dealing with fraud and corruption are set out in the Council's governance framework, which includes the Council's risk management arrangements.
Equalities Impact Assessment	Not applicable
Human Rights	No direct implications.
Transformational Government	No direct implications.
Consultees	None
Background papers	None

Recommendations	THE AUDIT & GOVERNANCE COMMITTEE IS ASKED TO ENDORSE THE OPINION OF THE SECTION 151 OFFICER THAT ADEQUATE ARRANGEMENTS EXIST TO ENSURE EFFECTIVE LEGAL COMPLIANCE AND EFFECTIVE ARRANGEMENTS FOR DEALING WITH FRAUD AND CORRUPTION.
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1.0 BACKGROUND

1.1 Each year the External Auditor requests additional information from the S.151 Officer and the Chairman of this Committee as a part of the audit of the accounts. The letters received from the External Auditor are attached.

2.0 DETAILS

2.1 The information is largely in respect of compliance with laws and regulations, and arrangements for dealing with fraud and corruption. The Section 151 Officer is the officer responsible for producing and signing the annual accounts. The Council's management arrangements for dealing with these matters are set out in the Council's governance framework. These include:

- The Council's constitution which sets out the overall legal framework under which we operate.
- Various codes and protocols (such as the whistle blowing policy) which allow officers and members to raise concerns about fraud and corruption.
- Review of reports and procedures by the Statutory Officers as and when required.
- Assurance statements produced annually by Heads of Service and directors.
- The Council's Annual Governance Statement
- Independent assurance by both internal and external auditors.
- The Senior Auditor's right to report directly to members on any matter in relation to fraud.
- Risk Management procedures.

2.2 In addition to the mechanisms set out above, Members also obtain assurance through:

- This Committee
- The ability to ask questions and debate matters at Council
- Access to report and supporting information, with most of the council's decisions being made in public in an open and transparent manner.
- The inclusion of "Implications" sections on the front of every report.
- Access to pro-active advice from officers, including statutory officers, and all members of the Corporate Leadership Team.

2.3 This Committee receives regular reports on our governance arrangements, through action plans plus internal and external audit plans and reports. The Committee also scrutinises the annual accounts and annual governance statement before finalisation each year. Similar reporting procedures exist for Cabinet meetings, to ensure that Members are in possession of comprehensive information before decisions are made.

- 2.4 A close professional working relationship exists between the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Legal & Support Services) and S151 Officer (Head of Finance). Officers receive training on governance arrangements and information is published widely on reporting arrangements relating to fraud and corruption.
- 2.5 Segregation of duties of post holders is established in those areas considered to be high risk from a fraud and corruption perspective. The Section 151 officer is satisfied that appropriate internal controls, including segregation of duties, exist and were working effectively throughout the financial year 2012/13.
- 2.6 There are no material matters in respect of potential litigation or claims that would affect the financial statements that will not be included in the Annual Statement of Accounts. Similarly there are no material cases of actual or alleged fraud at the present time apparent.
- 2.7 A “whistle blowing” policy is in place to encourage staff to report concerns about fraud and this is available to all employees through the intranet.
- 2.8 With regard to related party transactions a register of members’ interests is maintained and at the commencement of every meeting members are given the opportunity of declaring and interests they may have in items on the agenda. Any such declarations made are recorded. Additionally an annual check is made of members and senior officers. There appear to be no related party relationships or transactions that could give rise to instances of fraud. No new related parties have been identified for the financial year 2012/13.
- 2.9 There are no entries made in the accounting records of the Council that appear to be intentionally misleading. There is no indication of any excess or inappropriate pressure being placed on staff to meet financial or operational targets.
- 2.10 Assessments of the risk that the financial statements may be materially mis-stated due to fraud and error in particular are undertaken in a number of ways including risk-based internal audit planning and comprehensive risk management including maintaining corporate and service risk registers. The Audit and Governance Committee approves the Internal Audit Plan each year. The process of compiling the Annual Governance Statement (AGS) also provides senior managers with the opportunity to highlight any concerns. The AGS will be presented to this committee for approval in September.
- 2.11 The Council has undertaken a preliminary assessment of the “going concern” accounting assumption and no events have been identified which may cast significant doubt on the Council’s ability to operate as a going concern.

3.0 CONCLUSION

- 3.1 The Section 151 Officer is satisfied that effective arrangements currently exist to ensure legal compliance is achieved, and that issues relating to fraud and corruption are managed adequately. The Committee is requested to endorse this conclusion.



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Our ref rw

Contact Richard Walton
0115 945 4471

April 2013

Dear Cllr Neilson

North West Leicestershire District Council 2012-13 – Compliance with International Auditing Standards

Although we have a good understanding of the Council's management processes and arrangements, auditing standards require us to formally update our understanding on an annual basis. Therefore I would be grateful if you would provide a brief response to the following questions.

- 1) Please explain how the Audit and Governance Committee exercises oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud or error (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the Council, 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;
 - communicating to members of the Audit and Governance Committee the processes for identifying and responding to fraud or error; and
 - communicating to employees views on acceptable business practice and ethical behaviour (for example by updating, communicating and monitoring against a code of conduct).

- 2) Is the Committee aware of any actual, suspected or alleged instances of fraud that may have a significant impact on the 2012/13 financial statements?

- 3) Is the Committee aware of any entries made in the accounting records of the Council that it believes or suspects are false or intentionally misleading?

- 4) How does the Committee get assurance from management that internal controls, including

segregation of duties, exist and are working effectively?

5) How does the Committee get assurance from management that all relevant laws and regulations have been complied with?

6) Is the Committee aware of any instances of non-compliance with laws or regulations?

7) Is the Committee aware of any actual or potential litigation or claims that would affect the 2012/13 financial statements?

8) Are you aware of any related party relationships or transactions that could increase the risk of fraud?

9) Has the Council undertaken a preliminary assessment of the going concern assumption and if so have you identified any events that may cast significant doubt on the Council's ability to continue to operate as a going concern?

A brief response by letter or email will suffice. Please contact me if you wish to discuss anything in relation to this request.

Yours sincerely



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Our ref rw

Contact Richard Walton
0115 945 4471

April 2013

Dear Ray

North West Leicestershire District Council Audit 2012/13 – Compliance with International Auditing Standards

Although we have a good understanding of the Council's management processes and arrangements, auditing standards require us to formally update our understanding on an annual basis. Therefore I would be grateful if you would provide a brief response to the following questions.

- 1) Please explain management processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud or error (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the Council, including any specific risks of fraud that management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
 - identification of posts within the Council considered to be high risk, from a fraud and corruption perspective, and any specific arrangements in place to mitigate those risks in 2012/13;
 - communication to employees of views on acceptable business practice and ethical behaviour (for example by updating, communicating and monitoring against a code of conduct); and
 - communicating to members of the Audit & Governance Committee the processes for identifying and responding to fraud and error.

- 2) Are you aware of any actual or alleged instances of fraud that may have a significant impact on the 2012/13 financial statements?

- 3) Are you satisfied that internal controls, including segregation of duties, exist and are working effectively in 2012/13? If not, what are the main risk areas?

- 4) How do you encourage staff to report their concerns about fraud?
- 5) What controls do you have in place to: identify; authorise; approve; account for; and disclose related party transactions and relationships? For any new related parties (i.e. not already disclosed in your 2010/11 audited financial statements) please provide details e.g. name, nature of the relationship and details of transactions in 2012/13.
- 6) Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, how are the risks mitigated?
- 7) Are you aware of any entries made in the accounting records of the Council that you believe or suspect are false or intentionally misleading?
- 8) Are you aware of any excess or inappropriate pressure placed on staff to meet financial or operational targets?
- 9) How does management gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2011/12?
- 10) Are you aware of any potential or actual litigation or claims that would significantly affect the 2012/13 financial statements?

I would be grateful if you could respond by letter or email to the above address. In the meantime, please contact me if you wish to discuss anything in relation to this request.

Yours sincerely



Richard Walton
Audit Manager
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