

Appendix

Response from Governance and Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	Yes, the Internal audit plan includes a risk based audit of the core financial systems that are used in the compilation of the financial statements
What are the results of this process?	Assurance levels from Internal Audit are satisfactory and inherent risk is considered to be minimal
What processes does the Council have in place to identify and respond to risks of fraud?	<p>The Council operates a robust key control framework within approved financial procedures that is regularly reviewed by internal audit. This includes ensuring that the finance team are adequately skilled and alert to anomalies that could indicate a misstatement due to fraud; a devolved budget management system which means that managers have sight of financial transactions and can therefore identify any potential anomalous entries; senior management reviews of the financial statements are also undertaken to aid the identification of material inconsistencies.</p> <p>There is an Anti-Fraud and Corruption Policy and whistleblowing policy that staff are aware of. Details are easily accessible to all staff on the Intranet.</p> <p>Generally these processes work well, but there have been instances where fraud allegations have not been pursued in a consistent fashion.</p>
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 an identified weakness in internal controls relating to the payment of expenses for elections staff. This weakness was identified following an alleged fraud and a review of the processes is currently being undertaken to address the existing shortcomings.
Are internal controls, including segregation of duties, in place and operating effectively?	Managers are aware of the need for segregation of duties and these are in place in key areas. The Internal Audit Plan looks at the internal controls on a regular basis and audit reports give a satisfactory level of assurance. Non Finance personnel have restricted access to the financial systems and Finance staff regularly monitor all transactions.

If not, where are the risk areas and what mitigating actions have been taken?	Functional risks are reviewed on a regular basis and management, mitigating actions taken where appropriate.
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)?	No, all financial transactions are regularly tested and financial performance monitored with service managers. Senior Financial management reviews take place on a regular and ad-hoc basis to maintain the integrity of financial records
Are there any areas where there is a potential for misreporting?	No all financial reports are referenced to previous approvals given by council in order to maintain consistency in reporting
How does the Governing Body exercise oversight over management's processes for identifying and responding to risks of fraud?	The Governance and Audit Committee receives regular updates from Internal Audit on the results of their audit reviews on key internal controls. Any instances of fraud are reported to the Committee. Regular reviews are carried out on anti-fraud / corruption policies together with member training on an as necessary basis.
What arrangements are in place to report fraud issues and risks to the Governing Body?	See Above. The Head of the East Kent Audit Partnership also has direct access to the Chair of the Governance and Audit Committee and wrote to them to set out concerns at the authority. The anti-fraud and corruption and whistleblowing policies set out how fraud should be reported.
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	The Council's commitment to good governance and anti-fraud principles are communicated using the Council's intranet site, Managers' development sessions, staff and member development sessions
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Council's whistleblowing policy is widely publicised. Staff are expected to raise concerns whenever they suspect something untoward.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Members are expected to disclose any transactions they have entered into of a related party nature. I am not aware of any such relationships or transactions that have given rise to risks of fraud
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 2019?	As Chair of the Governance and Audit committee I have been made aware of such instances. I have been briefed and informed by the s151 Officer, the Chief Executive, Deputy Monitoring Officer and Head of Internal Audit in respect to such matters. I take comfort and assurance that such instances have been communicated with and are being considered by the external auditors. Specific cases of significance include:

A theft by a TDC officer was alleged and evidenced following a fact-finding investigation undertaken by East Kent Audit Partnership (EKAP). The fact-finding investigation identified breaches of FPRs by a senior member of staff. The staff member resigned prior to the commencement of a disciplinary hearing.

An allegation of breach of Financial Procedure Rules (FPR) was made against a senior officer in March 2020. This matter in part was concluded and the remainder is being dealt in accordance with the Council's proper internal processes.

Laws and Regulations

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	An experienced, in-house legal team with a budget to commission specialist advice as and when required
How does management gain assurance that all relevant laws and regulations have been complied with?	<p>Legal implications of key decisions and actions being included in reports wherever necessary, with draft reports being considered by the legal team and Corporate Management Team prior to being published.</p> <p>An on-going programme of Internal Audit Reviews is undertaken by the East Kent Audit Partnership.</p> <p>The Whistle-blowing policy provides staff with the ability to report to management where laws and regulations have not been complied with.</p>
How is the Governing Body provided with assurance that all relevant laws and regulations have been complied with?	<p>All reports to Cabinet and Council require the Legal Team and Finance Team to review and provide comments on the reports prior to going forward to Members. The council has comprehensive Financial Regulations and Contract Procedure Rules in place to ensure that best practice standards are met. These documents, along with the Scheme of Delegation, set the framework for ensuring that transactions are undertaken and decisions are made in accordance with statutory requirements.</p> <p>The East Kent Audit Partnership prepare audits to ensure compliance with relevant laws and regulations and gather evidence during the audit process. Quarterly monitoring reports produced by the Head of the Audit of the Partnership identify any non-compliance with relevant laws and regulations and agree management actions to remedy the situation</p>
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2019?	As Chair of the Governance and Audit committee I have been made aware of such instances. I have been briefed and informed by the s151 Officer, the Chief Executive, Deputy Monitoring Officer and

	<p>Head of Internal Audit in respect to such matters.</p> <p>I take comfort and assurance that such instances have been communicated with and are being considered by the external auditors. Specific cases of significance include:</p> <p>On 25 July 2019 the Monitoring Officer reported to Cabinet in relation to a breach by the Executive of Regulation 36 of the Gas Safety (Installation and Use) Regulations 1998 which places a duty upon a landlord to have a gas safety check undertaken on an annual basis on Going Concern 5 appliances and flues to which the regulations apply.</p> <p>Swift remedial action was taken which ultimately resulted in the termination of the agreement with East Kent Housing and the transfer of the management of the properties back in-house.</p> <p>A senior officer submitted a whistleblowing complaint in August 2019, which included an allegation of potential breach of employment law. A legal firm was commissioned to investigate the whistleblowing and it reported in November 2019.</p> <p>A whistleblowing complaint was made by a senior HR officer, which alleged potential breaches of the Health and Safety at Work Act 1974 and the Employment Rights Act 1996. A law firm was commissioned to investigate the whistleblowing and it reported in November 2019.</p> <p>Both these matters are currently being considered properly by the Council's internal procedures.</p> <p>A whistleblowing complaint was made by a manager, which has been dealt with and concluded under TDC's grievance process.</p>
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What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Council Departments are advised to keep Legal Services advised of any possible claims. If claims are received these are quantified and risk established and an appropriate notification is made to Finance officers to provide advanced notice of possible liability.
Is there any actual or potential litigation or claims that would affect the financial statements?	Any major or potential issues that would affect the financial statements have already been accounted for.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No

Going Concern

Auditor Question	Response
What arrangements does the Council have in place to ensure itself that the Council remains a Going Concern for financial reporting purposes, and what were the results of that assessment for the purposes of the 2019-20 Accounts?	<p>Regular quarterly budget monitoring reports are taken to CMT and Cabinet showing financial outturn to date and forecast. Any underspends and overspends are identified and action taken during the year to rectify.</p> <p>Performance reports for managing the business and on projects are reported quarterly to Cabinet and council including performance of outsourced services.</p> <p>Levels of reserves are reviewed annually as part of the budget setting process to Council in February.</p>