

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

Ref	Auditor Question	Source of Assurance	Response 2016/17
1.	What do you regard as the key events or issues that will have a significant impact on the financial statements for 2016/17?	The Council assesses its current and future potential obligations and the potential impact on the Council's financial position, as part of the annual closure process for example in assessing whether financial provisions or the disclosure of contingent events are required within the Statement of Accounts	There were no key events or issues that occurred during 2016/17 which will have a significant impact on the financial statements for that year.
2.	Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	In preparation for closure of accounts 2015/16 the Council has reviewed any changes to the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and referred to current guidance issued by CIPFA e.g Code guidance, LAAP bulletins etc.	Accounting policies have been reviewed and amended to reflect the measurement of any non-operational property, plant and equipment at fair value. We are not aware of any other events or transactions that may cause the Council to change or adopt new accounting practices.
3.	Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	There is an annual review process of the Council's Constitution in place that includes, as a fundamental part, reviewing and updating standing processes and financial instructions and ensuring that they comply with all relevant legislation and regulations. In addition the HR, Legal & Corporate Services Department also has a role in this in that it has an obligation to the other Departments within the Council to monitor legislative changes, gauge the impact on the various service areas and provide appropriate advice. In particular, the statutory Monitoring Officer role includes ensuring, compliance, probity and lawfulness in the Council's operations and decision-making processes.	We are not aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements
4.	How would you assess the quality of the Council's internal control processes?	Audit & Assurance reviews and progress reports to Audit & Governance Committee and Head of Audit Annual Audit Opinion Report. MAF Returns	The Council has a comprehensive and robust internal control framework in place, including Financial Regulations, Standing Financial Instructions, Contract and Procurement Procedure Rules, an Officer Scheme of Delegation, a Counter Fraud Policy and Strategy and resource monitoring processes. These various documents are monitored

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

Ref	Auditor Question	Source of Assurance	Response 2016/17
			<p>and reviewed periodically to ensure that they are up to date and fit for purpose.</p> <p>Directors are responsible for self-assessing the effectiveness of their arrangements and required to complete a Director's Assurance Statement annually to evidence this as part of the process to support the Annual Governance Statement.</p> <p>Audit & Assurance considers these control processes as part of the development of the risk based plan and as part of reviews of the related fundamental financial systems. Whilst areas for improvement have been identified to strengthen controls in place, and some exceptions were identified regarding compliance with the controls in place no material issues have been identified during the year.</p> <p>The Audit & Assurance team is also responsible for managing any investigations arising from whistle blowing or other sources. There have been no significant issues regarding non-compliance with internal controls identified as a result of any investigations carried out during the year.</p> <p>Audit staff also provide advice and support to review and revise the elements of the internal controls framework as part of the annual audit plan.</p>
5.	How would you assess the process for reviewing the effectiveness of internal control?	<p>Annual Audit & Assurance Plan presented to Audit & Governance Committee</p> <p>A&A Progress Report</p> <p>Peer Review Outcomes Report</p>	<p>The process in place meets the requirements of the Public Sector Internal Audit Standards (PSIAS) with regards to the requirement to prepare and deliver a risk based audit plan that supports the production of an annual internal opinion from the Head of Internal Audit on the Council's control, risk and governance frameworks. A Peer review was carried out during 2015/16 as part of the PSIAS requirements. This confirmed that the internal audit team within Audit & Assurance conforms to the fundamental requirements of the Standards.</p> <p>The internal audit planning strategy sets out the key principals of the Audit and Assurance approach and methodology used to develop and deliver the annual</p>

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

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			<p>audit plan, including the prioritisation of the areas covered.</p> <p>The final plan is the result of consideration of a wide range of information from various sources and consideration of various factors. This includes detailed consultations with Directors and their Departmental Management Teams (DMTs), and agreement with Management Board prior to approval by Audit & Governance Committee.</p> <p>The Audit Team delivered the priority areas identified in the 2016/17 audit plan that will enable us to provide an annual opinion on the Council's framework of governance, risk management and internal control.</p> <p>Directors are also responsible for self-assessing the effectiveness of their internal arrangements and providing the annual assurance statement referred to in the response to 4 above as evidence of this. The statements are reviewed by Audit & Assurance as part of the process to complete the Annual Governance Statement.</p>
6.	How do the Council's risk management processes link to financial reporting?	<p>Audit & Assurance Annual Plan</p> <p>Individual Audit Reports</p> <p>Progress Report to Audit & Governance Committee</p> <p>MAF Returns</p> <p>Directors Assurance Statements</p>	<p>The risk of the main accounting and feeder systems being inaccurate or misleading, and consequently the financial statements, is recognised in the Finance & IT Department's risk register. The steps below, plus the controls exercised by both the Finance & IT Department and service managers operationally, and through the Constitution, scheme of delegation, governance arrangements with partners, etc., service to mitigate material fraud risks.</p> <p>The risk-based Audit & Assurance Plan identifies the key internal control systems, which require review. Where internal controls are identified as being absent or not operating satisfactorily during both planned and unplanned work Audit & Assurance will agree recommendations for improvement with management. A follow – up programme is in place for monitoring the implementation of audit recommendations, which includes both management</p>

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

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			<p>declarations and physical verification by internal audit to confirm the actions taken. Any control deficiencies will be disclosed in the Head of Audit & Assurance's Progress & Outcomes and Annual Opinion reports to the Audit & Governance Committee.</p> <p>There is no evidence to indicate that key internal controls are not in place or not working effectively.</p> <p>Audit & Assurance undertakes reviews of significant financial systems which feed into the general ledger, and reviews the general ledger itself, to ensure that the source data for the financial statements is accurate and reliable.</p> <p>In addition Financial Services will undertake an analytical review of the statement of accounts each year, which will consider any significant or material changes are supported by valid explanations. These processes have not identified any concerns.</p> <p>The Management Accountability Framework summarises key issues affecting each service for consideration by Directors and the Executive Team on a bi-annual basis; this should include financial and non financial issues. Any issues identified which are not currently on a departmental risk register are required to be indicated.</p> <p>The bi-annual returns are reviewed and challenged by Audit & Assurance for completeness and accuracy, including any actions identified.</p> <p>The annual Directors assurance statements should also highlight any issues requiring action regarding this area. These are considered by Audit & Assurance as part of the process to complete the Annual Governance Statement.</p>
7.	How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	<p>Audit & Assurance Annual Plan</p> <p>Individual Audit Reports</p> <p>Progress Report to Audit & Governance Committee</p>	<p>The Council has appropriate arrangements in place to identify and respond to the risk of fraud. A number of policies and strategies are in place, including a recently updated Counter Fraud (CF) Policy Statement and Strategy, a Money Laundering Policy and Strategy and a Fraud Response Plan.</p>

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

Ref	Auditor Question	Source of Assurance	Response 2016/17
			<p>There are various processes in place to identify and respond to risks of fraud which include the dissemination of alerts and intelligence from the National Anti-Fraud Network, and other groups to relevant managers throughout the Council. A fraud awareness e-learning package is also in place for all staff and managers. A dedicated whistle blowing line is also in place which is monitored by Audit & Assurance staff. The Council also participates in the National Fraud Initiative data matching exercise.</p> <p>The CF Strategy includes links with Legal and HR to ensure that potentially fraudulent activities are properly identified and appropriate actions taken, both in the particular case and, the implications more widely considered across the Council. Suspected and potential fraudulent activity is thoroughly investigated and prosecution/enforcement pursued where appropriate.</p> <p>Directors are also responsible for self-assessing the effectiveness of their arrangements, including this area. This is evidenced via the annual Directors Assurance Statements they complete as part of the Annual Governance process.</p> <p>The Audit & Assurance Team has staff resources available with the skills and experience required to provide support to managers to respond to instances of potential and suspected fraud and to carry out appropriate investigations.</p>
8.	What has been the outcome of these arrangements so far this year?	A&A Progress Report to Audit & Governance Committee	<p>Advice has been provided to managers on request during the year to strengthen preventative fraud controls. The 2016/17 NFI work has recently commenced and is on-going. The latest update on progress will be reported to Audit & Governance Cttee as part of the annual Counter Fraud report</p> <p>Two cases relating to direct payment/personal budget fraud have been completed. One has been concluded and recovery of an overpayment of £14,500 will be sought. The second case, with a potential value of £40,000, has been passed to the</p>

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

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			<p>Police for consideration. Audit & Assurance staff have also been involved in work with colleagues from ITM&G to investigate a telephone hacking incident which resulted in the loss of approximately £30,000, which occurred due to weaknesses in poor IT controls. The controls have now been strengthened to prevent a re-occurrence.</p> <p>Other cases regarding the potential falsification of time records have been investigated by HR and have resulted in a number of staff being dismissed.</p>
9.	What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?		<p>Officers reviewed the 2014 Protecting the Public Purse report and updated the accompanying checklist to assess compliance and further action. The main areas of fraud reported in the 2014 Protecting the Public Purse report, relevant to this authority have been subject to audit review in 2015/16, namely: procurement, recruitment (payroll), council tax discount/exemption, housing benefits, schools, and business rates.</p> <p>The Corporate Counter fraud (CF) Strategy was revised in June 2010 and the Whistle-blowing policy was approved by the Executive Member (Resources) in August 2013. This has been reviewed during the year to align it with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.</p> <p>The Council also has a Money Laundering Policy & Strategy in place and approved a Bribery Act Statement in January 2012. These policies have been widely communicated within the Council. The Council has a comprehensive set of Standing Financial Instructions in place which are subject to regular review including a Fraud Response Plan which sets out the procedures for responding to fraud. There are processes in place to identify and respond to risks of fraud which include the dissemination throughout the Council of alerts and intelligence from the National Anti-Fraud Network.</p> <p>A Fraud Awareness e-learning package has also been purchased and is being rolled out across the</p>

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

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			Council. The Council also participates in the National Fraud Initiative data matching exercise which is undertaken every two years. The CF Strategy includes links with, in particular, Legal Services and HR to ensure that potentially fraudulent activities are properly identified and appropriate actions taken, both in the particular case and, more widely. Suspected fraudulent activity is thoroughly investigated and prosecution/enforcement pursued where appropriate.
10.	Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?		The Council has a whistle blowing policy that allows staff and others to raise concerns. Two whistle blowing complaints received during the year have been passed to Audit & Assurance for consideration. These have been investigated and no fraud implications have been identified.
11.	Have any reports been made under the Bribery Act?		The Council has an anti-bribery/fraud policy which sets out the standards the Council expects from its staff, members, contractors and other stakeholders. There are also anti-bribery provisions in the Council's procurement documents and standard terms and conditions. We are not aware of any reports made under the Bribery Act 2010
12.	As a management team, how do you communicate risk issues (including fraud) to those charged with governance?		Relevant risk issues are reported to the Audit & Governance Committee at each meeting via the external auditors Update Report, the Audit & Assurance Progress Report and the Risk Management Update Report. The External Auditors Update Report highlights emerging issues and developments, including prompts and challenge questions for members to consider. The Progress Report includes an update on counter fraud, along with progress against planned work and the relevant findings from audit reviews. Senior managers are also invited to meetings to update members on key issues

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

Ref	Auditor Question	Source of Assurance	Response 2016/17
			identified in audit reports.
13.	As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?		<p>The Constitution contains codes of conduct for both Members and Officers. New members are required to accept the code of conduct as part of their induction. All Members now need to complete and submit “a notification by member of a Local Authority of personal interests” form, which includes information relating to gifts and hospitality. New appointees sign the staff code of conduct as part of induction. In addition, each Department maintains registers of gifts & hospitality and personal interests which should be reviewed annually.</p> <p>The Council has a whistle blowing policy, which is available to all staff, partners, contractors and members of the public. The pre-qualification questionnaire requires that potential Council contractors declare any fraud, bribery or corruptions offences.</p> <p>Revisions to Financial and HR policies are circulated to senior managers to cascade to their teams, along with articles in Teamtalk. The HR team also deliver bite sized training on a variety of HR policies during the year.</p>
14.	What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	Annual request to Directors for details of potential contingent liabilities arising from litigation / claims is used as the basis for assessing the requirement for a financial provision or for the disclosure of contingent events made within the accounting statements	The Director of HR, Legal & Corporate Services has delegated powers under the Council's Constitution to take any action to protect the Council's legal rights and to take any necessary steps to settle disputes arising.
15.	Is there any use of financial instruments, including derivatives?	<p>Treasury Management Strategy agreed annually at Finance Council (March)</p> <p>Treasury Management Group meets regularly to review operational issues</p>	There have again been very few changes to the Council's use of financial instruments in this year. We employ the same approach to analysing debtors and creditors, and there has been no change in the type of treasury instruments used (for borrowing or investing). It is understood that, subject to final review, there were no potential derivatives (such as

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

Ref	Auditor Question	Source of Assurance	Response 2016/17
		Regular reporting to Audit & Governance Committee	forward deals outstanding at the end of the year) to be recognised.
16.	What is the current position of those issues included as contingencies and provisions at 31 March 2016?		<p>An updated position will be disclosed with regard to the Municipal Mutual Insurance (MMI) and landfill sites contingent liabilities.</p> <p>For provisions:</p> <ul style="list-style-type: none"> - Non domestic rate appeals has been re-assessed using the list of outstanding appeals at 31 March 2017 as part of year end processes - Highways and Vehicles insurance claims provisions have been re-calculated as part of year end processes. - The level of the MMI provision has been reviewed in line with the latest statement at 31/3/17. (this links in with contingent liability disclosure).
17.	Are you aware of any significant transactions outside the normal course of business?		<p>The phased implementation of the Council's new financial ledger and cash management systems will involve the transfer of data between the old and new systems in order to ensure that a full years' data is held in Masterpiece.</p> <p>There have been no Academy conversions this year.</p>
18.	Are you aware of any changes in circumstances that would lead to impairment of non-current assets?		<p>We are not aware of any significant transactions outside the normal course of business.</p>
19.	Are you aware of any guarantee contracts?		<p>Although Legal Services have been asked to advise on arrangements where the Council would potentially be providing guarantee or security (e.g. guarantor on leases), we are not aware of such agreements being implemented.</p>
20.	Are you aware of allegations of fraud, errors, or other irregularities during the period?		<p>The only issues we are aware of during the period are those referred to in the response to point 8 above.</p>

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

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21.	Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance?		<p>Legal Services are often involved in advising client departments on compliance with relevant laws and regulations, and any corrective action where there has been non-compliance. These matters include procurement law, local government law, governance etc.</p> <p>Legal checks are also carried out on most decision reports (Exec Member/Exec Board) to ensure that the recommendations are legally sound, correct processes/procedures have been followed, and the Council's interests (commercial and otherwise) are protected. Qualified legal officers also attend decision-making committees to monitor the lawfulness of the decision-making process and provide any advice that may be required by the decision-making body. Legal officers also attend other committee meetings to monitor and ensure that the proceedings are fairly conducted and in accordance with relevant legislation.</p>
22.	Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?		We have not received any reports from other regulatory bodies, which may indicate non-compliance.
23.	Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?		We are not aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.
24.	Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?		Estimates are made taking into account historical experience, current trends and other relevant factors. However balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates and any items that may be impacted are raised in the statement of

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

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			accounts
25.	Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?		We are not aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements.
26.	Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?		<p>The Financial Strategy considers the financial position of the Council over the short and medium term and is designed to ensure that the Council continues as a going concern. The Audit & Assurance Plan includes a number of reviews, which cover elements of the Financial Strategy to ensure that it is being delivered and to highlight at an early stage any unforeseen risks. The monitoring of the Financial Strategy will involve: (i) Close monitoring of the Council's budget to ensure spending is contained within budget. (ii) Ensuring balances are maintained at an adequate level, and unallocated reserves do not fall below the minimum required (iii) Three year cash flow profile and monitoring against this.</p> <p>Management are not aware of any events or conditions that may cast doubt on the Council's ability to continue as a going concern.</p>
27.	Can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?		<p>Partnership Review - Addleshaw Goddard</p> <p>Various property matters/litigation – DAC Beachcroft</p> <p>Bus station dispute - DWF LLP/Blake Morgan LLP</p> <p>State-Aid advice – DWF LLP</p>

ISA – MANAGEMENT and TCWG QUESTIONS 2016/17

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28.	Can you provide details of other advisors consulted during the year and the issue on which they were consulted?		<p>Price Waterhouse Coopers – Leisure VAT advice</p> <p>PS Tax - Post office VAT claim</p> <p>Capita review – Addleshaw Goddard, New Networks, Best Practice Group</p> <p>Treasury Management Advice – Arling Close</p> <p>Tax Advice – LCC</p> <p>Leasing advice – Chrystal Consulting</p>
29.	Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements of the Council?		None have been reported.