

AUDIT COMMITTEE – 1 July 2016

Title of paper:	External Audit Questions to those Charged With Governance 2015/2016	
Director(s)/ Corporate Director(s):	Councillor Sarah Piper Chair of the Audit Committee	Wards affected: All
Report author(s) and contact details:	Councillor Sarah Piper Chair of the Audit Committee Email: sarah.piper@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note response given by the Chair of the Audit Committee to the External Auditor at Appendix 1.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 This report outlines the response by the Chair of the Audit Committee to the City Council's External Auditors' (KPMG) questions in respect of specific topics within the Committee's Remit.

2 BACKGROUND

- 2.1 KPMG are required by International Auditing Standards to ask certain questions of those charged with Governance and who are responsible for approving the accounts. The questions and responses are given as Appendix 1 to this report.

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

- 3.1 None.

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 4.1 None.

Enquiries of the Chair of the Audit Committee - KPMG 2015/2016

Category	Detailed Description	Councillor Piper – Chair of the Audit Committee
Fraud	How do those charged with governance provide effective oversight of the entity's programs and controls to prevent, detect and deter fraud, including oversight over internal controls management has established to mitigate fraud risks?	<p>Nottingham City Council has a mature system of internal controls and clear line management arrangements. There is also a range of regulatory and scrutiny activities to minimise risk and maintain a sound internal control environment.</p> <p>The Council has a clear establishment structure with clear job descriptions and responsibilities and where appropriate, separation of duties and control. The Head of Audit and Risk uses a fully resourced and trained Corporate Counter Fraud Team to undertake proactive and investigative counter fraud activities. The Audit Committee has endorsed a Counter Fraud Strategy (including a bespoke schools version) which includes a fraud response plan directing staff to governance related policies and procedures. There is an online reporting mechanism for reporting suspected irregularities and a dedicated benefit fraud telephone hotline.</p> <p>There are controls in respect of councillors and officers who have membership of other organizations as follows:</p> <p>Members and officers Codes of Conduct with requirement to complete a Register of Interests and also declare interests at meetings. All formal meeting agendas include declaration of interests and a questionnaire is issued to all councillors and senior officers to ensure the data held relating to third parties is complete.</p> <p>Internal Audit, as part of its approved audit plan, completes data matching tests on creditors' data, matching against employees' data and duplicate payments. Data mining is also performed on council tax data, benefit claimants and social services payments.</p> <p>The Council also actively participates in the Cabinet Office's National Fraud Initiative.</p>

Fraud	What are your views about fraud risks at the entity?	<p>I am satisfied that the Head of Audit and Risk's risk based audit plan includes areas of perceived risk of fraud and allocates resources for their review accordingly. The Corporate Counter Fraud Team focusses more resources on combatting the risk of fraud. Areas of high risk undergo annual review and the Audit Committee receives reports regarding Internal Audit findings. Frauds are dealt with as a matter of priority, and lessons learnt are reported and publicised to mitigate future risks.</p> <p>Internal Audit takes note of fraud alerts issued e.g. by CIPFA to minimise risk of hacking scams and all IT audits look for resilience and security of IT systems. All staff are encouraged to participate in on-line fraud awareness training overseen by the Head of Audit and Risk.</p>
Fraud	Are you aware of or have you identified any instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?	<p>A fraud register is maintained to record and track the status of investigations related to fraud. Frauds are dealt with according to the Fraud Response Plan approved by the Audit Committee. I am unaware of any instance of material fraud including any misconduct or unethical behaviour related to financial reporting or misappropriation of assets</p>
Laws and regulations	How is the entity complying with the legal and regulatory framework?	<p>The Council's establishment incorporates all posts required by statute. These key roles are performed by the Council's Head of Paid Services, Monitoring Officer and Section 151 Officer. The roles of these officers are defined clearly in their job descriptions.</p> <p>The Constitution and its appendices also define the delegated roles and responsibilities of key post holders and decision making bodies of the Council. Changes to the Constitution including those to financial reporting are made at a meeting of Full Council.</p> <p>The Director of Strategic Finance undertakes the responsibilities of Section 151 Officer including responsibility to the Council for advice on financial matters, keeping financial records and accounts and maintaining effective systems of internal financial control.</p> <p>The role of the Monitoring Officer includes responsibility to the Council for</p>

ensuring that agreed procedures are followed including all applicable statutes, regulations and statements of good practice. The Monitoring Officer is also responsible for arrangements for whistle blowing. Professional advice is taken before making decisions with legal/financial implications, and reports to Boards and Committees include this advice.

The Council has budget and Policy Framework in place which set out how budget and policy decisions are made. A regular programme of work is carried out by Internal Audit and additional scrutiny committees, external audit and external inspection contribute to compliance with Council policies, procedures, laws and regulations.

Complaints can be made in various open and transparent ways including through the internet, councillors, the Director of the service or office responsible. Access to the Ombudsman is well publicised.