

Date: 29 July 2021
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Dear Katie,

Informing the risk assessment – Response from ‘Those charged with governance’

Following discussion with officers, please see the attached responses to inform your risk assessment.

Question:	Response from 'Those Charged with Governance'
1. How do you oversee management’s process in relation to:	
Carrying out an assessment of the risk of the financial statements may be materially misstated due to fraud or error	<p>The Council is a non-profit making, public sector organisation, and officers are not paid performance related pay. There is therefore considered to be limited incentive for officers to fraudulently manipulate financial outcomes and the financial statements.</p> <p>Fraud and mis-appropriation can occur in a variety of ways within the administration of the council's financial affairs, from improper use of core systems and bank accounts, including:</p> <ul style="list-style-type: none"> • accounts payable (e.g. paying fictitious suppliers, amending supplier bank details); • accounts receivable (suppressing debtor balances, generating credit notes and write-offs); • payroll (creating ghost employees, inflating payments to staff); • cash receipting, and • treasury management. <p>The risk of fraud and misappropriation is considered during all internal audit planning activity, and notably when completing the Internal Audit Annual Audit Plan and Counter Fraud Strategy, which are presented to the Audit Committee. The</p>

Committee also utilise part of their workshops sessions throughout the year to focus on risk management issues, and often bring in officers to provide greater level of detail or clarity. Fraud awareness training was provided to the Audit Committee in February 2020.

In addition, Internal Audit pro-actively reviews and investigates NFI data, issues anti-fraud updates and reminders via the internal news bulletins, and reviews and promotes the Council's Whistleblowing policy and Anti-fraud and corruption strategy (last reviewed in January 2020).

The Internal Audit Annual Audit Plan is developed to provide reasonable assurance that appropriate internal control arrangements are in place, and are operating effectively. This includes internal controls within general ledger and sub systems, such as access controls, segregation of duties, and the application of the scheme of delegation for approval of transactions, and over-arching controls such as reconciliations. No areas where there is a potential for override of controls, or inappropriate influence over the financial reporting process, have been identified.

As part of statutory requirements, the Head of Internal Audit is required to give an opinion on the internal control framework and systems to manage risk. This opinion for has been drafted for inclusion in the Annual Governance Statement in the accounts. In draft opinion identified no significant weaknesses or failures in relation to risks of material mis-statement in the financial statements due to fraud.

Internal Audit's conclusions support the Chief Executive and Leader of the Council in certifying the Annual Governance Statement.

The officers preparing the Council's financial statements are appropriately qualified and experienced, and undertake Continuous Professional Development and training on issues relating to accounts preparation. Officers liaise with external audit staff on a regular basis to discuss the accounting treatment of emerging accounting issues which may materially impact on the Council's accounts.

The Audit Committee also gains assurance that the Council's accounts are free from material mis-statement through the work undertaken and reported to them by external audit.

<p>Identifying and responding to the risk of breaches of internal control</p>	<p>As noted above.</p> <p>The Internal Audit Annual Audit Plan is developed to provide reasonable assurance that appropriate internal control arrangements are in place, and are operating effectively. This includes internal controls within general ledger and sub systems, such as access controls, segregation of duties, and the application of the scheme of delegation for approval of transactions, and over-arching controls such as reconciliations. No areas where there is a potential for override of controls, or inappropriate influence over the financial reporting process, have been identified.</p> <p>As part of statutory requirements, the Head of Internal Audit is required to give an opinion on the internal control framework and systems to manage risk. This opinion for has been drafted for inclusion in the Annual Governance Statement in the accounts. In draft opinion identified no significant weaknesses or failures in relation to risks of material mis-statement in the financial statements due to fraud.</p> <p>Internal Audit's conclusions support the Chief Executive and Leader of the Council in certifying the Annual Governance Statement</p>
<p>Identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified of 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)</p>	<p>As noted above.</p> <p>Fraud and mis-appropriation can occur in a variety of ways within the administration of the council's financial affairs, from improper use of core systems and bank accounts, including:</p> <ul style="list-style-type: none"> • accounts payable (e.g. paying fictitious suppliers, amending supplier bank details; • accounts receivable (suppressing debtor balances, generating credit notes and write-offs); • payroll (creating ghost employees, inflating payments to staff); • cash receipting, and • treasury management. <p>The risk of fraud and misappropriation is considered during all Internal Audit planning activity, and notably when completing the Internal Audit Annual Audit Plan and Counter Fraud Strategy, which are presented to the Audit Committee. The Committee also utilise part of their workshops sessions throughout the year to focus on risk management issues, and often bring in officers to provide greater level of detail or clarity. Fraud awareness training was provided to the Audit Committee in February 2020.</p>

	<p>In addition, Internal Audit pro-actively reviews and investigates NFI data, issues anti-fraud updates and reminders via the internal news bulletins, and reviews and promotes the Council's Whistleblowing policy and Anti-fraud and corruption strategy (last reviewed in January 2020).</p> <p>Fraud risk areas identified in 2020/21 are Covid related claims for financial assistance. Internal Audit has undertaken a programme of testing to provide assurance to the Council and central government in line with BEIS guidelines.</p> <p>Internal Audit Counter Fraud Updates, detailing progress in delivering their Anti-Fraud and Corruption Strategy, are presented to the Audit Committee during the year.</p>
<p>Communicating to employees views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)</p>	<p>Codes of Conduct for members and officers are included in the Council's Constitution, which is available on the Council's Intranet.</p> <p>The Codes of Conduct detail arrangements requiring members and officers to declared interests and gifts and hospitality.</p> <p>New employees are notified of what to do if they suspect a fraud in their induction booklet, and through Internal Audit's promotion the Council's Whistleblowing policy and programme of work under the Anti-fraud and corruption strategy. Fraud prevention training is a mandatory induction course to be completed by new employees via eLearning, and this is also accessible to Members.</p>
<p>2. Do you have any knowledge of any actual, suspected or alleged frauds? If so, please provide details.</p>	<p>A summary of all frauds reported to and investigated by Internal Audit is included in half-yearly updates made by the Head of Internal Audit to the Audit Committee. Only a small number of low value (few £'000) instances of actual, suspected or alleged fraud, errors or other irregularities have arisen since 1 April 2020.</p>
<p>3. How do you gain assurance that all relevant laws and regulations have been complied with?</p>	<p>The Council's arrangements for ensuring that all relevant laws and regulations have been complied with are set out in its Constitution.</p> <p>The council operates a Statutory Officers group which meets on a bi-monthly basis – this includes the S151 Officer, the Monitoring Officer (Asst. Director – Governance and Monitoring Officer – formerly the Head of Legal and Democratic Services) and the Chief Executive Officer as the Head of Paid Service. This group review and assess all</p>

	<p>significant and material issues which may result in compliance with relevant laws and regulations.</p> <p>The pro-forma used for all committee reports includes a requirement to identify Legal powers used and legal implications of decisions.</p> <p>The only material changes to the Council's regulatory environment which are likely to have a significant impact on the Council's financial statements are the changes in submission and certification deadlines, and requirements of the LG Code of accounting practice, made as a result of Covid-19.</p> <p>The Section 151 Officer and Head of Internal Audit develop an Annual Assurance Statement for the Audit Committee to place reliance on in relation to the integrity and completeness of the Council's financial systems and statements. This includes arrangements in relation to compliance with relevant laws and regulations.</p>
<p>4. Are you aware of any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No material litigation or claims identified.</p>
<p>5. How will you satisfy yourself that it is appropriate to adopt the going concern basis in preparing the financial statements?</p>	<p>Discussions with officers have provided assurance that the going concern basis remains appropriate for preparing the financial statements for the Council.</p> <p>Officers review of the LG Code and Guidance notes, and CIPFA Bulletins 05 and 09, confirms that as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. Paragraph 3.4.2.23 of the Code therefore confirms as a matter of fact that local authority accounts must be prepared on a going concern basis.</p> <p>No statutory or policy changes with implications on the Council's assessment of the going concern basis for preparing the financial statements have been identified. For example, there has not been a public announcement that the Council is to be wound up, and the Council has not been subject to an external assessment (by, for example the NAO or LGA) that has identified that the Council is unsustainable.</p>

	<p>The Council is continuing to quantify the impact of COVID 19 on the Council's finances and service provision going forward. Adverse impacts, such as loss of income and increased service expenditure which is not matched by central government funding, are forecast to adversely impact on the Council's financial standing into the medium term. The Council has set a balanced budget for 2021-22, but forecasts the need to find significant savings in the following years.</p>
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Signed:

Councillor John Cato

Insert Cllr Cato's signature

Chair of the Audit Committee

Dated:

29 July 2021

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