

**Manchester City Council
Report for Information**

Report to: Audit Committee - 11 June 2018

Subject: Response letters from City Treasurer and Audit Committee Chair

Report of: City Treasurer

Summary

As part of the audit of the accounts, the External Auditor requests information from the City Treasurer and the Chair of the Audit Committee in respect of financial accounting arrangements, the risks of fraud and compliance with laws and regulations. This information is requested for the City Council's entity accounts and group accounts which include Manchester Airport Holdings Limited ("MAHL") and Destination Manchester Limited ("DML").

This report provides the draft responses proposed to be issued to the External Auditor from the City Treasurer (appendix A) and the Audit Committee Chair (appendix B) for the audit of the 2017/18 accounts.

Recommendations

Members are requested to comment on the proposed letters to the External Auditor in advance of signing by the City Treasurer and Audit Committee Chair.

Wards Affected: None

Contact Officers:

Name: Carol Culley
Position: City Treasurer
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Background documents (available for public inspection):

No specific reports other than referred to in the attached letter

Appendix A: Proposed Letter to External Auditor from City Treasurer

Stephen R Nixon
Senior Manager
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

To reply please contact:

Carol Culley
City Treasurer
Room 103, Town Hall,
Albert Square, Manchester, M60 2JR

T: 0161 234 3406
E: carol.culley@manchester.gov.uk

Date: 11 June 2018

Dear Stephen,

Manchester City Council Audit of Financial Statements for Year Ending 31 March 2018

Please see attached responses to your letter dated 15 March 2018.

Yours sincerely,

Carol Culley, City Treasurer

Auditor question	MCC Response	Group Response
<p>What do you regard as the key events or issues that will have a significant impact on the financial statements (including the Group) for 2016/17?</p>	<p>The main changes impacting on the financial statements for 2016/17 relate to the presentation of the main statements following the CIPFA "Telling the Story" consultation.</p>	<p>MAHL and DML No specific key events or issues – general management of income and diversification of business to deliver business strategy.</p> <p>Changes in accounting standards for MAHL and key financial information referred to in annual report.</p>
<p>Have you considered the appropriateness of the accounting policies adopted by the Council (including the Group)? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Accounting policies have been reviewed as they are each year. The revised policies are to be approved by Audit Committee. The accounting policies have been updated in line with guidance and discussed with the external auditors.</p>	<p>MAHL and DML Accounting policies have been reviewed as they are each year.</p>
<p>Are you aware of any changes to the Council's regulatory environment (laws, accounting standards, corporate governance & other regularity requirements) that may have a significant impact on the Council's financial statements (including the Group)?</p>	<p>No major changes.</p>	<p>No major changes.</p>

Auditor question	MCC Response	Group Response
<p>How would you assess the quality of the Council's and the Group's internal control processes?</p>	<p>Internal control arrangements are effective on the whole and where not this has been reported through Internal Audit work in relevant areas and actions agreed for improvement. This is reflected in the overall moderate assurance opinion provided by the Head of Audit and Risk 2015/16 and 2016/17 and to be reported to Audit Committee in June 2017. No concerns of significance have been raised in any of the audits of core financial systems.</p>	<p>Subject to Board and external auditor oversight. Development of Board assurance framework at DML in year provides further confidence in internal control arrangements and MCC Head of Audit and Risk obtains moderate reliance from these arrangements.</p> <p>I am unable to comment on the detail of MAHLs internal control processes but see below.</p>
<p>How would you assess the Council's and the Group's process for reviewing the effectiveness of internal control?</p>	<p>The Head of Audit and Risk Management annual opinion, review of the system of internal audit and annual governance statement process all contribute to the process of reviewing the effectiveness of internal control. In addition to this there is a robust framework of policies and procedures across the Council as well as management assurance and Member Scrutiny arrangements. These sources all contribute to a robust process for reviewing effectiveness.</p>	<p>MAHL and DML</p> <p>Similar to Council but scale and approach reflects the nature and size of the organisations. MAHL Full risk and assurance team reporting to Audit Committee (3 times a year) on delivery against a risk based strategic assurance programme. Assess company against UK Corp Gov Code</p> <p>DML Oversight exercised by Board with support from external audit.</p>

Auditor question	MCC Response	Group Response
<p>How do the Council's and the Group's risk management processes link to financial reporting?</p>	<p>The risk register includes consideration of risks that relate to the financial management arrangements and assurance on these is obtained through an officer working group that considers and refreshes the risk register (SMT Use of Resources Sub Group) and SMT. Budgets and financial management inherently consider risk and matters that could impact on financial performance and position are reported as risks in budget monitoring reports. This is a roust process but is being further developed as part of sources of assurance work in 2017/18.</p>	<p>MAHL and DML</p> <p>Financial risk is one of the criterion in the risk framework so relevant financial risks are recorded and reported as appropriate.</p>
<p>How would you assess the Council's and the Group's arrangements for identifying and responding to the risk of fraud?</p>	<p>The Council has a counter fraud policy and procedures that are reviewed annually and updated as appropriate. A Counter Fraud Strategy was updated and reported to Audit Committee in 2015/16 and revised whistleblowing and Anti Money laundering policies have been presented to Audit Committee for comment and approval.</p> <p>These arrangements are discharged and overseen by the Head of Audit and Risk Management in close cooperation with HROD and services.</p> <p>Arrangements included a programme of proactive and reactive anti fraud work including full participation in the National Fraud Initiative and responsibility for housing</p>	<p>MAHL Similar to Council with fraud and revenue / cost protection measures in place.</p> <p>DML Considered to be low risk but policy and procedure framework in place led by CE and Finance Director.</p>

Auditor question	MCC Response	Group Response
	tenancy and Council Tax Reduction fraud. 2017/18 activity will include a programme of organisational awareness raising.	
What has been the outcome of these arrangements this year?	Arrangements are operating effectively although the Council recognises there is always scope to develop.	Both Arrangements are operating effectively. This is confirmed by FD at DML and in annual report for MAHL.
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud for the Council and other Group components ?	The classes of accounts, transactions and disclosures most at risk of fraud relate to income and payments – we have robust internal controls in these areas as supported by internal audit opinions for 2016/17 and prior years.	The classes of accounts, transactions and disclosures most at risk of fraud relate to income and payments – we have robust internal controls in these areas as supported by internal audit opinions for 2016/17 and prior years.
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Yes – these are detailed in the Head of Audit and Risk Management Annual Fraud Report (2015/16 report presented July 2016 and 2016/17 report due to be presented in August 2017). He also provides details and updates of allegations in my monthly 1:1 meetings and I see all copies of reports in respect of investigations of whistleblowing and other allegations of potential fraud, corruption and irregularity.	DML issues would be raised at Board. MCC Head of Audit and Risk has dialogue with Finance Director around matters of risk and internal control. MAHL include whistleblowing references in annual report and have procedures published on website to enable issues of concern to be raised.
Have any reports been made under the Bribery Act?	There have been no specific reports made under the Bribery Act.	None of which we are aware

Auditor question	MCC Response	Group Response
<p>As a senior officer team, how do you communicate the Council's and other Group component's risk issues (including fraud) to those charged with governance?</p>	<p>As above and regular reporting of actual and alleged fraud as part of audit assurance updates. Head of Audit and Risk Management meets regularly with HROD and Legal colleagues to ensure oversight of all fraud, error, irregularity and significant disciplinary activity.</p>	<p>Communications from Finance Director at DML</p> <p>Led by Director of Risk Assurance at MAHL.</p>
<p>As a senior officer team, how do you communicate to staff and employees your views on business practices and ethical behaviour?</p>	<p>Regarding the behaviour and conduct of the Council's Members and Officers, this is governed in the first instance by the Employee and Member Codes of Conduct, Council policies and any supporting procedures. The Council's anti-fraud and corruption policy states that the Council is committed to ensuring that the people of Manchester can have complete confidence that the affairs of the Council are conducted in accordance with the highest standards of probity and accountability. It therefore expects the highest possible standards of openness, honesty and accountability and will not tolerate malpractice or wrongdoing from Members or Officers. The policy also states that the Council requires compliance with appropriate legislation, Financial Regulations, standards of professional bodies and any other relevant standards, guidelines or instructions. This is communicated to contractors through contract terms and conditions.</p>	<p>Communications from Finance Director at DML</p> <p>Led by Director of Risk Assurance and Director of HR at MAHL.</p>

Auditor question	MCC Response	Group Response
	<p>The Council's Monitoring Officer, City Treasurer, Deputy S151, Strategic Director Reform, Head of Legal Services and Head of Audit and Risk Management in particular provide support to officers and Members and also provide oversight of the governance arrangements and through this they reinforce the need for high standards of behaviour and conduct.</p>	
<p>What are your policies and procedures for identifying, assessing and accounting for litigation and claims?</p>	<p>Legal Section provide details of all outstanding claims against the Council at the end of September and year end. Details of all claims over £100k are provided monthly and an individual assessment of the likelihood and value of settlement is provided. For smaller claims an average settlement value of each type of claim together with a percentage of claims successfully defended is provided.</p>	<p>Not known</p>
<p>Is there any use of financial instruments, including derivatives?</p>	<p>The Council has government debt with the HCA and Treasury for specific schemes, market debt including LOBOs (lender option borrower option loans) as well as a small amount of stock holders. The Council also holds investments in various companies held to support either the work of the Council, the community strategy or the local economy. The Council has granted equity mortgages and housing loans some of which are classed as embedded derivatives. The Council has also lent money to businesses on behalf of Greater Manchester via the Greater Manchester Loans</p>	<p>DML no MAHL as referred to in annual report and accounts</p>

Auditor question	MCC Response	Group Response
	Fund and the Housing Investment Fund. Any loss relating to these arrangements is covered by guarantees from the Greater Manchester districts.	
Are you aware of any significant transactions outside the normal course of business?	No	None known
What is the current position on significant issues included as contingencies and provisions as at 31 March 2017 as reported in the prior year's audited accounts?	<p>Non current assets are reviewed for impairment at the end of each reporting period. This includes any significant reductions in asset values.</p> <p>All provisions are reviewed at year end and actions taken as required.</p>	MAHL and DML assets are reviewed for impairment annually
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None that haven't been taken account of.	
Are you aware of any guarantee contracts?	The Council has not issued any guarantees	None known
Are you aware of allegations of fraud, errors, or other irregularities during the period at either the Council or other Group components?	No	No
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?	No specific matters of concern beyond civil claims and matters of general business (e.g. ICO complaints, issues raised with Ombudsman)	No specific matters of concern I have been made aware of beyond civil claims and matters of general business
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	There have been no inspections by HMRC during the year.	Not of which I am aware from Board or accounts reports.

Auditor question	MCC Response	Group Response
<p>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?</p>	<p>The significant estimates disclosed are – revaluation and depreciation of property, plant and equipment, valuation of investments in non group entities, provisions including business rate appeals, arrears including bad debts and pensions liability.</p>	<p>DML No</p> <p>MAHL is a matter for MAHL auditors (KPMG) who have signed off 2016/17 accounts.</p>
<p>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?</p>	<ul style="list-style-type: none"> • Revaluations and depreciation of property, plant and equipment – these are provided by Valuers. • Investments – cost or Council’s share of reserves. • Provisions – based on information provided by the Council’s legal section. • Arrears – based on previous collection rates updated for known bad debts etc. • Business rates appeals provision – based on the level of outstanding appeals and past experience. • Pensions Liability – provided by actuary. 	<p>DML Not aware of any</p> <p>MAHL is a matter for MAHL auditors (KPMG) who have signed off 2016/17 accounts.</p>
<p>Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?</p>	<p>No</p>	<p>No</p>
<p>Has the senior officer team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment? Is the senior officer team aware of other events or conditions that may cast</p>	<p>This is implicit within budget monitoring and treasury management reviews, the ongoing assessment of reserves and provisions, as well as the annual accounts. These are used to inform financial planning and budget setting decisions which are reported to Executive, Audit Committee and Full Council.</p>	<p>DML: Assessment undertaken by FD as part of annual accounts.</p> <p>MAHL: Noted in page MAHL annual accounts.</p>

Auditor question	MCC Response	Group Response
doubt on the Council's ability to continue as a going concern?		
What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?	As above	As above
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?	The Council uses in house legal Services and external counsel only as directed by the City Solicitor and her management team where this supports the in house provision.	N/A
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>A number of advisors have been used but none where specific reliance placed for key financial estimates or decisions.</p> <p>Roger Hannah and Co and Jacobs have undertaken valuations for the Council.</p> <p>Hymans Robertson for pensions liability – engaged by Pension Fund.</p>	PWC and GVA Grimley have undertaken valuations on land and building assets of DML and MAHL for inclusion in the Council's group accounts.
Have any of the Council's service providers reported any items of fraud, non-compliance	None of which I or SMT am aware.	N/A

Auditor question	MCC Response	Group Response
with laws and regulations or uncorrected misstatements which would affect the financial statements of the Council?		

Appendix B: Proposed Letter to External Auditor from Audit Committee Chair

Date: 11 June 2017

Stephen R Nixon
Senior Manager
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Dear Stephen,

Manchester City Council Audit of Financial Statements for Year Ending 31 March 2018

Please see attached responses to your letter dated 15 March 2018.

Yours sincerely,

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As Chair of Manchester City Council Audit Committee

Fraud risk assessment

Auditor Question	Response	Response Group
<p>Has the Council assessed the risk of material misstatement in the financial statements (including the Group statements) due to fraud?</p>	<p>This issue is considered as part of the Council's risk assessment process but is not deemed to be a key risk. It is also considered as part of risk management arrangements within the Financial Management Service and as part of annual Internal Audit planning. There are a number of controls in place to mitigate this risk. Draft accounts are produced by the Council's Financial Management Team under current accounting conventions. The team comprises qualified, experienced accountants with substantial experience of working on the Council accounts. The team attend accounts briefings and training in the year to ensure they remain abreast of current issues and liaise actively with the external auditor over accounting concepts, conventions, estimates and judgements. The work of the team is overseen by the Chief Accountant, Heads of Finance and reviewed by the City Treasurer.</p> <p>The Treasurer's signed accounts are submitted to Audit Committee under their work programme for review and approval.</p> <p>In addition, the Council's Internal and External Audit support compliance with accounting requirements. In 2017/18 Internal Audit undertook audits of aspects of the Council's core financial systems and overall high levels of assurance were given over</p>	<p>Assurance on Group is sought from City Treasurer and I am advised that the risk arising from the wider group is low.</p>

Auditor Question	Response	Response Group
	these systems which were considered to be effective and well-managed.	
What are the results of this process?	Based on the assessment of the City Treasurer and her teams I have no basis to consider that the risk of material misstatement in the financial statements due to fraud is other than low.	As above
What processes does the Council have in place to identify and respond to risks of fraud (including risks within Group components)?	<p>The Council has a zero tolerance approach to fraud and corruption as prevention and detection helps protect financial assets, ensures legality and maintains a positive reputation for the Council. This promotes confidence with officers, Members, stakeholders and the public. Investigating potential fraud or corruption demonstrates transparency, openness and a willingness to address matters of wrongdoing.</p> <p>The Council's approach is set out in its published Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Whistleblowing Policy. These policies are supported by detailed procedures and are published on the Council's website. The Whistleblowing Policy was updated in 2015/16 and approved by Audit Committee, Standards Committee and Personnel Committee. It has been further updated following comments from Audit Committee in 2016/17.</p> <p>The Anti Money Laundering Policy has been refreshed and is also being updated for comments from Audit Committee and will be</p>	Assurance on Group is sought from City Treasurer and I am advised that the arrangements at DML and MAHL appear reasonable and no issues arising from these she is aware of that would impact the accounts.

Auditor Question	Response	Response Group
	<p>represented for Audit Committee comments in June 2017.</p> <p>The above examples demonstrate the active engagement of Audit Committee in oversight of the counter fraud framework.</p> <p>Anti Fraud work is overseen by the City Treasurer and Head of Audit and Risk Management with a team in Internal Audit work responsible for governance and oversight of the delivery of the Council's Counter Fraud Strategy. This is delivered in conjunction with officers from across the Council, including HR, Finance, Legal Services, Trading Standards, Housing and Revenues/Benefits. The delivery of the strategy and counter fraud activity is reported in progress reports and in an annual report to Audit Committee.</p>	
<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?</p>	<p>Fraud risks have been identified and reported to Audit Committee in the annual fraud report in July 2016 (for 2016/17 this will be presented in August 2017). These do not indicate systemic issues across the Council or have a financial value that is material to the overall financial accounts.</p>	<p>As above</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively across the Council and Group components?</p>	<p>Yes on the whole and where not this has been reported through Internal Audit work in relevant areas and actions agreed for improvement. No concerns of significance have been raised in any of the audits of core financial systems.</p> <p>This view is supported by the Head of Audit and Risk Management's 2016 annual</p>	<p>Assurance on Group is sought from City Treasurer and I am advised that the arrangements at DML and MAHL appear reasonable and no internal control issues arising from these she is aware of that would impact the accounts.</p>

Auditor Question	Response	Response Group
	opinion as reported to Audit Committee in June 2017.	The Head of Audit and Risk Management has obtained high level assurance over the operation of internal controls at DML with the Director of Finance as part of the Council's partnership governance framework.
If not, where are the risk areas and what mitigating actions have been taken?	N/A	N/A
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 as there are preventative, detective, monitoring and approval controls to present such override. Key risk areas would relate to journals and these are overseen and managed robustly by the Corporate Finance Team team in Finance and reviewed as part of Internal Audit work on the main accounting system.	Assurance on Group is sought from City Treasurer and I am advised that the arrangements at DML and MAHL appear reasonable and whilst incentive to achieve targets etc is high the systems of governance and control mean this is a low risk.
Are there any areas where there is a potential for misreporting?	There are preventative, detective, monitoring and approval controls to present override. Key risk areas would relate to journals and these are overseen and managed robustly by the Corporate Finance team in Finance and reviewed as part of Internal Audit work on the main accounting system. The sheer complexity of the accounts remains a reporting risk but explanations of the accounts are provided by officers and the Audit Committee looks to officers and external audit to ensure the accounts comply with financial reporting standards.	Assurance on Group is sought from City Treasurer and I am advised that the arrangements at DML and MAHL appear reasonable and whilst Council, MAHL and Group accounts are complex, the systems of financial governance and control mean this is a low risk.

Auditor Question	Response	Response Group
How does the Audit Committee exercise oversight over officer's processes for identifying and responding to risks of fraud at the Council and other Group components?	As above, and in review of policies and procedures (as updated by the Head of Audit and Risk Management) and regular reporting of actual and alleged fraud.	This is overseen by DML Board and MAHL Audit Committee
What arrangements are in place to report fraud issues and risks to the Audit Committee?	In progress reports (quarterly) and annual Internal Audit Fraud report (July 2016 and due again August in 2017)	From FD and Chief Exec to DML Board and from Risk Assurance Director to MAHL Audit Committee
How does the Council communicate and encourage ethical behaviour amongst officers and partners?	Regarding the behaviour and conduct of the Council's Members and Officers, this is governed in the first instance by the Employee and Member Codes of Conduct, Council policies and any supporting procedures. The Council's anti-fraud and corruption policy states that the Council is committed to ensuring that the people of Manchester can have complete confidence that the affairs of the Council are conducted in accordance with the highest standards of probity and accountability. It therefore expects the highest possible standards of openness, honesty and accountability and will not tolerate malpractice or wrongdoing from Members or Officers. The policy also states that the Council requires compliance with appropriate legislation, Financial Regulations, standards of professional bodies and any other relevant standards, guidelines or instructions. This is communicated to contractors through contract terms and conditions.	DML Code for staff MAHL details as per their annual report and accounts.

Auditor Question	Response	Response Group
	<p>The Council's Monitoring Officer and Head of Legal Services; City Treasurer and Deputy; Deputy Chief Executives and Head of HR; and Head of Audit and Risk Management in particular provide support to officers and Members and also provide oversight of the governance arrangements and through this they reinforce the need for high standards of behaviour and conduct.</p>	
<p>How do you encourage officers to report their concerns about fraud? Have any significant issues been reported?</p>	<p>The Council's whistleblowing policy is published on the website and intranet with guidance and on line reporting for staff within the audit and risk management intranet pages. There is also a whistleblowing hotline and the audit team is accessible to managers and staff to raise potential issues or concerns. This confirms that staff are encouraged to raise concerns through management lines and ultimately to Internal Audit. No major issues reported that would indicate systemic issues in the systems of control.</p>	<p>DML Code for staff MAHL details as per their annual report and accounts.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>Related party relationships and transactions could give risk to risks of fraud but these are assessed alongside wider fraud risks as part of the Council's counter fraud and financial management arrangements.</p>	<p>Not aware for Group</p>
<p>Are you aware of any whistleblowing tips or complaints?</p>	<p>Yes for whistleblowing and allegations of fraud as set out in the Annual Fraud Report (July 2016 and due to be presented August 2017). Complaints are often raised through Members and overseen through scrutiny committees and other meetings as required. There are no tips or complaints I consider impact</p>	<p>Not aware for Group</p>

Auditor Question	Response	Response Group
<p>Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council or other Group components since 1 April 2016?</p>	<p>on the financial statements or vfm opinions</p> <p>Summary details of actual, suspected or alleged fraud are referred to in the Head of Audit and Risk Management reports to Audit Committee, with more detail provided in the Annual Fraud report (July 2016 and planned for August 2017).</p> <p>I have been assured by the Head of Audit and Risk Management that these do not indicate systemic issues across the Council and that none of these have a financial value that is material to the overall financial accounts.</p>	<p>Not aware for Group</p>
<p>What are your views on the risks of fraud within other Group components?</p>	<p>N/A</p>	<p>As above I consider them to be low based on the small amount of information available to me, but am assured of the same by the City Treasurer and Head of Audit and Risk Management</p>

Law and regulation

Auditor Question	MCC Response	Group Response
<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The Anti-Fraud and Corruption Policy sets a clear position on the requirement for compliance with appropriate legislation, Financial Regulations, standards of professional bodies and any other relevant standards, guidelines or instructions.</p> <p>The City Solicitor (Monitoring Officer) and City Treasurer support the Council in this by contributing to ensuring that the Council and its supporting bodies are administered efficiently and</p>	<p>N/A</p>

Auditor Question	MCC Response	Group Response
	<p>in accordance with statutes and constitutional rules. This includes legal and democratic services officers who maintain a continuous review of constitutional, governance and administration arrangements with regard to the Council's operations. The City Solicitor is also supported by a professionally accredited service who cover all aspects of law and regulation including litigation, employment, commercial, property and constitutional law and utilise external legal counsel when appropriate to advise on complex matters.</p> <p>The need to ensure compliance with relevant laws and regulations is also considered as part of Internal Audit's annual planning process. This is based on the Council's assessment of risk as described in its risk register and Internal Audit's own view, with managers, of other risk areas.</p> <p>The Annual Governance Statement describes managers understanding of the key systems and processes comprising the governance framework and provides their commentary on how they work in practice, including identifying any need for improvement.</p>	
<p>How do officers gain assurance that all relevant laws and regulations have been complied with?</p>	<p>The Annual Governance Statement and business planning preparation process includes assertions and confirmations from Heads of Service and Strategic</p>	<p>Not aware for Group</p>

Auditor Question	MCC Response	Group Response
	<p>Directorates that all relevant laws and regulations have been complied with. There are a wide range of mechanisms including the Constitution, financial regulations and Council policies and procedures, as well as reports to Executive and Council that include consideration of legal implications to ensure that decisions comply with laws and regulations.</p>	
<p>How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through reports from Internal Audit and in respect of financial governance reports from the Head of Finance and City Treasurer. The Committee also receives the draft and financial Annual Governance Statement that provides details of how assurance is obtained to ensure all relevant laws and regulations have been complied with.</p>	<p>Not aware for Group</p>
<p>Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016?</p>	<p>I am aware that given the breadth of the legal duties of the Council and the breadth of legislation to which the Council is subject, there will be areas of suspected or actual non compliance with areas of law and regulation, but there are no areas of significant non compliance with laws and regulations of which I am aware since 1 April 2016.</p> <p>There are no areas of significant non compliance with laws and regulations of which I am aware which impact on the 2016/17 financial statements.</p>	<p>Not aware for Group other than through feedback from the Treasurer</p>

Auditor Question	MCC Response	Group Response
<p>What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>The City Solicitor as Monitoring Officer oversees all claims lodged that could result in claims or litigation and an assessment of financial risks of claims is maintained by the Legal Services Team in conjunction with the Corporate Finance Team in the Council's Financial Management Division. These teams also work closely with the Corporate Insurance and Claims team as well as highways and other areas where there are liability claims that could arise. This whole process informs the annual assessment of reserves and provisions.</p> <p>These teams also evaluate the risks of potential claims through a range of mechanisms including monitoring of case law developments, monitoring of accident reports and review of serious incidents, all of which might result in litigation or claims.</p>	<p>Not aware for Group other than through feedback from the Treasurer</p>
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No. Provisions are made for all known claims but reserves are also provided in anticipation of future claims. These include provisions and reserves for areas such as business rate appeals, bad debts and claims lodged and anticipated. These are reviewed regular and at year end as part of standard close-down processes.</p>	<p>Not aware for Group</p>

Auditor Question	MCC Response	Group Response
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	As External Audit are aware, Ofsted have reported adversely on Childrens Services but I have been assured that there are no other regulatory reports that indicate levels of significant non compliance with laws and regulations.	Not aware for Group