

Appendix 2 : Deputy Chief Executive and City Treasurer Responses

Question	Response
What processes are in place at the Council to:	
<ul style="list-style-type: none"> Undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments); 	<p>The Council has a regular, robust process for budget setting and monthly reporting, with financial reporting through to SMT and Executive, providing a high degree of oversight of financial reporting.</p> <p>The financial accounts are prepared in line with a clear timetable and set of requirements overseen by experienced, qualified finance professionals with addition rigour applied in areas of estimates and assumptions such as the determination of provisions and reserves. This process and timetable is shared with the External Auditor and their advice and input is sought on matters of complexity or key judgements. Specialist financial advisors are used as appropriate for particularly complex transactions.</p> <p>Core financial systems form part of the focus of Internal Audit as part of the annual audit plan.</p> <p>Through review of budget monitoring and final accounts processes and reports, including the draft accounts, I have a high degree of confidence that the financial accounts are free from material fraud and error.</p>
<ul style="list-style-type: none"> Identify and respond to risks of fraud 	<p>Through regular reporting to me by the Head of Audit and Risk Management including quarterly investigation and counter fraud reports. I also receive copies of all investigation reports and updates on areas of risk identified on an ongoing basis. These matters are also discussed in my 121 meetings with the Head of Audit and Risk Management.</p> <p>The work of the Counter Fraud and Irregularity Team in Internal Audit is based on an organisational risk assessment and includes focus on internal fraud and error risk as well as external risks presented in areas such as Council Tax Reduction, Business Rates and Housing. This risk assessment is updated for issues arising and feeds into the annual internal audit plan so that additional assurance can be obtained in areas of</p>

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	<p>known risk. Additional investment has been agreed with Housing in year to support further right to buy and tenancy fraud work in 2019/20.</p> <p>There is a clear policy framework and this includes regular refresh of policies and procedures including engagement with trades Unions and Members via the Audit Committee.</p> <p>All of this work is summarised annually in the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019.</p> <p>For financial accounts as above.</p>
<ul style="list-style-type: none"> Communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct) 	<p>Via the communications strategy set out in the Counter Fraud Strategy.</p> <p>There are a range of mechanisms in place to promote positive business practice and ethical behaviour as part of Our People strategy that include:</p> <ul style="list-style-type: none"> Regular confirmations that officers have confirmed agreement to the Code of Conduct Development and update of the governance handbook Our Manchester Leadership and Management training programmes; as well as briefings held with Senior Leadership Group. Induction process for all new starters (refreshed in 2018/19) Regular communications to staff on key policies and procedural requirements. On line anti-fraud training and wider on-line learning packages for example around information security and equality. <p>The annual governance statement includes a service self assessment process that provides a level of assurance to me that Heads of Service has considered staff awareness of a range of policies and standards and this informs improvement actions each year.</p> <p>Alongside my role, the Council's Monitoring Officer, Deputy S151, Director of HROD, Head of Legal Services and Head of Audit and Risk</p>

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	<p>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>
<ul style="list-style-type: none"> Communicate to the Audit Committee the processes for identifying and responding to fraud or error. 	<p>This is done primarily through the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019.</p> <p>Audit Committee maintains oversight of the Anti Fraud and Corruption Policy, Whistleblowing Policy, Anti Bribery Policy and Anti Money Laundering Policy – that are available to staff via the intranet.</p> <p>Standards Committee also receive an annual report on the efficacy of the Whistleblowing Policy.</p>
<p>How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?</p>	<p>The Council has a clear, transparent constitution that is subject to regular review and refresh to ensure that it remains up to date and reflects relevant laws and regulations. This process is overseen by the City Solicitor who has a key role through her service to seek assurance and provide support to ensure compliance with laws and regulations.</p> <p>Reports supporting decision making included oversight by Legal Services and Finance to ensure that decisions are lawful and in accordance with the Constitution.</p> <p>The City Solicitor Chairs a Governance Assurance Group that oversees developments in governance and responds to issues or risks of non compliance with Council policies, procedures, laws and other regulations. This includes senior representation from across the Council and is a conduit to all Directorate Management Teams.</p> <p>Commercial governance has been developed in year with the establishment of the Commercial Governance Team under the Deputy City Treasurer and works closely with Legal and Democratic services in ensuring the legality of decision making. This team also supports the Commercial Board with senior representation from</p>

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	<p>a range of key support services (procurement, commissioning, legal, finance, audit etc) focused on the commercial and legality aspects of contracts, companies and partnerships.</p> <p>The Council's policy framework and supporting procedures are designed to ensure compliance with laws and regulations in respect of such matters as employment law, equalities duties and data protection legislation.</p> <p>There are no specific matters of concern beyond civil claims and matters of general business (e.g. ICO complaints, issues raised with Ombudsman) that I am aware of.</p>
<p>Are there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Legal Services provide details of all outstanding claims against the Council at the end of September and year end to inform the final accounts. This is provided to my finance teams to inform the determination of provisions, reserves and any potential contingent liabilities.</p> <p>There is a pro-active approach to identifying potential future risks of claims and litigation which includes finance and legal services officers engaging with Directorate Management Teams and Chief Officers to understand potential future risks. Legal also work closely with the Insurance Team to identify and evaluate the risks associated with untoward events to assess the likelihood and scale of impact of potential litigation. These risks are assessed and recorded by Legal Services to inform the process of financial management and financial reporting.</p> <p>Details of all claims over £100k are provided to me and the Council's Monitoring Officer, Head of Legal Services and Head of Audit and Risk Management monthly and an individual assessment of the likelihood and value of settlement is provided. Where there is a financial risk attributed to such claims (or risks of claims) they are reflected in the financial accounts and subject to review by External Audit.</p>
<p>What controls are in place to: identify, authorize, approve, account for and disclose</p>	<p>The process for identifying related parties is undertaken as part of the annual accounts and is informed by:</p>

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<p>related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2019.</p>	<ul style="list-style-type: none"> • Declarations of interest (senior officers and Members) • The Council's significant partnership register • Legal Services review of officer/member roles in companies and partnerships. <p>This process informs the disclosure of related party transactions. A list of all such related parties will be provided as required as part of the audit of the accounts and the totals of material transactions with related parties form a note to the accounts.</p>

Question	Response
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (<i>if 'yes', please provide details</i>)?</p>	<p>Yes – these are set out in the Internal Audit Annual Counter Fraud Report (September 2018) to which the external auditor has access. None of the concerns reported to me indicate a systemic or significant fraud risk across the Council.</p> <p>I also meet with the Head of Audit and Risk Management who reports directly to me on matters of risk in respect of actual, suspected or alleged instances of fraud or other irregularity. This includes a quarterly report of cases that is shared also with the City Solicitor and Director of HROD.</p> <p>I receive copies of all final investigation reports as part of Internal Audit's reporting arrangements and seek assurance over the performance of the investigation functions within Internal Audit as well as the findings and implications of investigations.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>Yes as above – given the size, scale and complexity of the Council I cannot provide complete assurance that there is no fraud (or theft, irregularity) occurring but I do not consider there is systemic or significant fraud risk across the Council.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Yes – these are set out in the Internal Audit Annual Counter Fraud Report (September 2018) and as the Counter Fraud Strategy.</p>

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4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?	Yes – these are reviewed by management and independently by Internal Audit as well as by other core functions Legal Services, HROD, Procurement, Performance and Finance. The work of checking internal controls does inevitably identify areas for improvement and Directorate Management Teams and SMT oversee actions taken to address these.
5. If not where are the risk areas?	<p>Areas of risk are reported in the reports of the Head of Audit and Risk Management as summarised in the annual opinion as presented to Audit Committee (April 2019).</p> <p>Matters may also reflected in the Annual Governance Statement based on a robust holistic assessment of organisational governance arrangements and improvements are monitored through SMT and Audit Committee oversight of this process.</p>
6. How do you encourage staff to report their concerns about fraud?	<p>The Council has a Whistleblowing Policy with associated contact number, email and on line reporting form; and details of the use of these by staff are reported in the Annual Counter Fraud Report (September 2018) and in an annual report to Standards Committee. Details of staff awareness and communications are reflected in the Counter Fraud Strategy and are set out in the Corporate Communications Team workplan for 2019.</p> <p>As part of the OurPeople Strategy we encourage staff to speak up on a range of matters, not just fraud, and as Strategic Director I promote this in my discussions and communications with my management team and with staff groups.</p>
7. What concerns about fraud are staff expected to report?	Any concerns over fraud within or against the Council – this could include theft, bribery, corruption etc
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	Related party relationships and transactions involving suppliers 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.
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Through a robust procurement process and through contract management and monitoring and a robust partnership governance framework. This includes the engagement of

Question	Response
	procurement, legal and other relevant teams in the development and agreement of contracting and partnership arrangements.
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No – based on my review of budget monitoring and final accounts processes and reports, including the draft accounts, there are no records I consider misleading. Assumptions in the accounts and the basis for these are based on accounting standards and confirmed in the annual Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty that is reported to Audit Committee.
11. Are there particular balances in the accounts where fraud is more likely to occur?	<p data-bbox="695 725 1380 853">Income and payments present an element of risk of fraud/theft/loss but there are no particular balances I consider present a heightened risk of fraud.</p> <p data-bbox="695 898 1380 1039">As above key assumptions and estimates are based on clear accounting policies and assumptions shared with the external auditor for assessment as part of the audit of the accounts.</p>
12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No – based on my review of budget monitoring and final accounts processes and reports, including the draft accounts, there are no assets, liabilities or transactions that I believe have been improperly included or omitted from the accounts. Assumptions in the accounts and the basis for these are based on accounting standards and confirmed in the annual Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty that is reported to Audit Committee.