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Sent by email

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Contact Name: Susan Roberts

Date: 16/07/2021

Your Ref:

Dear Matt

Barrow Borough Council - Financial Statements for the year end 31 March 2021

Thank you for your letter of the 1 July 2021 regarding the above.

I have set out my responses to explain how the Audit and Governance Committee gains assurance from management at **Appendix 1**.

Yours sincerely

Councillor Mrs A Burns
Chair of the Audit and Governance Committee

Appendix 1 – Responses from the Chairman of the Audit Committee

Barrow-In-Furness Borough Council

Responses from Audit Committee Chair:

Fraud risk assessment

Auditor Question	Response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud?</p>	<p>Yes. All accounting entries that are created manually are checked and posted by a separate officer.</p> <p>The Accountancy Services Manager is responsible for compiling the financial statements based on the work performed by the Finance Department (temporary officer in post). There is a secondary check performed within the Finance Department prior to the issue of the financial statements to the Director of Resources. The financial statements are checked again, independently, by the Director of Resources prior to authorising for issue.</p> <p>The underlying financial systems are checked by Internal Audit as part of the work on internal controls and periodic checks are performed throughout the year. The underlying financial systems have not changed during 2020-2021.</p> <p>The basis of estimations and significant judgements is disclosed in the Statement of Accounts along with accounting policies and the use of required expertise is disclosed in the financial statements.</p>
<p>What are the results of this process?</p>	<p>The checks of the financial statements are evidenced on the detailed timetable held by the Finance Department. Any fraudulent misstatements identified is reported to the Director of Resources.</p> <p>Any fraudulent misstatements identified by the Internal Audit work are reported to the Director of Resources.</p> <p>An investigation and appropriate action would be initiated by the Director of Resources. If the Director of Resources' management override were suspected, the matter would be referred to the Chief Executive.</p>
<p>What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>The Council has a comprehensive Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan, and a Whistleblowing Policy.</p>

	<p>The Internal Audit annual plan is risk-based and is intended to cover all significant risk areas.</p> <p>The Fraud Hotline provides an independent route for any concerns to be raised confidentially.</p> <p>There is a Code of Conduct for Members of the Council and a Code of Conduct for Officers.</p> <p>The Council has a Money Laundering Policy and controls its treasury activities through its Treasury Management Practices.</p> <p>The Finance Department control changes to supplier details and also authenticates any subsequent updates.</p> <p>Segregation of duties and management authorisations operate in the areas of the Council involving financial controls, such as ordering goods or services, payment of invoices or expenses, cash and banking reconciliations.</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>Within the core business of the Council no new fraud risks have become apparent. All financial transactions carry a degree of risk and that was assessed as part of the internal control framework when systems and processes were designed. Any changes or adaptations to the existing systems and processes are thoroughly assessed before being implemented.</p> <p>The areas within the Council that operate with cash are always deemed as high risk for potential fraud. There are specific controls designed to mitigate and detect any fraudulent activity; services that directly accept cash only receive low value cash transactions.</p> <p>Treasury management involves high value transactions and again specific controls are in place internally as well as externally – the brokers and counterparties all have fraud risk mitigation and detection built into their dealings process.</p> <p>During COVID-19 local authorities distributed a variety of business support grants and self-isolation payments. Processes for delivering these were established including the verification requirements to meet the assurance set by MHCLG, DHSC and the Council's own controls.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p>	<p>Yes, the Council's internal controls are reviewed and tested by Internal Audit and through management review. Managers are sometimes part of an internal control process, but where this is not the case it is expected that checks are</p>

	<p>made to ensure the continued observance of the controls is occurring.</p> <p>Duties are segregated where necessary and dual authorisation applies to all financial transactions.</p> <p>The main source of assurance will always be Internal Audit.</p>
If not, where are the risk areas and what mitigating actions have been taken?	This is covered in the previous response.
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)?	<p>There are no areas where financial targets apply and there is no benefit in inappropriately influencing the financial reporting process.</p> <p>The quarterly reporting follows a similar process to the financial statements; the Finance Department create all the transactions for services, the Accountancy Services Manager compiles the budgetary movements and reserves, the Director of Resources prepares the overall monitoring report.</p> <p>Access to posting entries into the General Ledger is restricted.</p> <p>Access to update the sub-ledgers is restricted to the Finance Department where internal controls exist for each process and segregation of duties is observed.</p>
Are there any areas where there is a potential for misreporting?	There are no areas where there is a potential for misreporting as the financial information is sourced from the General Ledger which is within a controlled environment as already explained in the previous response.
How do the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	<p>The Audit and Governance Committee receives reports from Internal Audit, the Director of Resources and the appointed external auditors. Any issues relating to fraud would be reported to the Audit and Governance Committee.</p> <p>The Anti-Fraud Policies are approved and adopted by Full Council through the Executive Committee process. The Audit and Governance Committee are made aware of the process and any updates or revisions as those charged with governance.</p>
What arrangements are in place to report fraud issues and risks to the Audit Committee?	<p>The Anti-Fraud Policies identify Internal Audit as the preferred route to report fraud issues and risks. However, officers can report concerns to their managers or Management Team if they prefer.</p> <p>For Members, any potential issues are reported to the Monitoring Officer in the first instance.</p>

<p>How do the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>There is a comprehensive checklist completed as part of the induction process for new staff, which includes the way the Council operates and the policies and conditions of service that the officers are expected to work to.</p> <p>Policies, such as the Anti-Fraud Policies are available online to all staff with computer access and managers are asked to provide these in hard copy to other employees. As and when policies change, an email is sent to all staff to make them aware that changes have occurred (usually with a brief summary of the changes included) and that a revised or updated policy has now been published.</p> <p>Internal communications is identified for review within the Values and Behaviours roadmap.</p>
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>The Whistleblowing Policy is promoted and a number of calls have been received – this activity is reported in the Internal Audit Progress Report. No fraud concerns have been raised during 2020-2021; non-fraud concerns are also reported to the Fraud Hotline.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>There are no related party relationships or transactions that could give rise to risks of fraud that I am aware of.</p>
<p>Are you aware of any instances of actual, suspected or alleged, fraud within the Council since 1 April 2020?</p>	<p>There are no instances of actual, suspected or alleged fraud either within the Council as a whole or within specific departments since 1 April 2020 that I am aware of.</p>

Law and regulation

Auditor Question	Response
<p>What arrangements do the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The Council relies on the Monitoring Officer to prevent and detect non-compliance with laws and regulations, and that senior officers will flag issues that require the Monitoring Officer's opinion.</p> <p>The Monitoring Officer ensures compliance with the Council's Constitution.</p> <p>The Council also employs a number of professional, qualified officers in particular fields of expertise and also obtains external legal advice when required; generally for clarification in specific circumstances.</p> <p>The Executive Committee report template includes consideration of the legal aspects of any decision for Members.</p>

<p>How do management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>Management Team review the legal aspects of Executive Committee proposals at pre-agenda meetings and challenges report authors where necessary; the Monitoring Officer attends the pre-agenda meetings.</p> <p>On occasion management make use of a number of professional, qualified officers in particular fields of expertise including external legal advice when required.</p> <p>The Monitoring Officer is part of a Cumbria-wide network and attends training as available and appropriate.</p>
<p>How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Monitoring Officer has overall responsibility for assuring management that all relevant laws and regulations have been complied with.</p> <p>The legal aspects of any decision for Members are disclosed in the reports presented at the Executive Committee.</p>
<p>Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2020?</p>	<p>There have been no instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2020.</p>
<p>What arrangements do the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Claims against the Council are raised with Management Team and would be dealt with either by the Council's insurers, retained solicitors or an alternate if specific expertise were required.</p>
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>There are no actual or potential litigation or claims that would affect the financial statements.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?</p>	<p>There have been no reports from other regulatory bodies that indicate non-compliance.</p>