

## Inquiries - Management

Name of Interviewee(s) : Nigel Stevenson - Group Manager – Financial Strategy & Compliance

Date(s) of Interview : 23 April 2014

### Required Inquiries

Category	Short Description	Detailed Description	Comments (optional)
Operations	REQUIRED Changes in the entity's business or environment including internal control	Have there been, or does the entity expect, any significant changes in its business or environment, including internal control?	There have been no major changes to the structure of the Authority through 2013/14 or any changes to major systems or internal controls. There continues to be financial issues facing the Authority like all Local Government, the Authority has plans in place to address.
Fraud	REQUIRED Communications to employees regarding management's views on business practices and ethical behavior	How does management communicate its views about acceptable business practices and ethical behavior to employees?	The Authority has a Code of Conduct for employees. The Code sets out in detail the standards of conduct required of its employees. See Section D35 of the Personnel Handbook.
Laws and regulations	REQUIRED Legal and regulatory frameworks applicable to the entity	What legal and regulatory frameworks are applicable to the entity?	The Council is governed by all national and EU legislation and rules applicable to all upper tier public Local Authorities in England.
Litigation, claims and assessments	REQUIRED Identifying and addressing litigation, claims	What policies, procedures and controls has management established for identifying, evaluating, accounting for and disclosing litigation, claims and assessments?	Litigation claims and assessments are received and managed by the Council's Legal Section or Risk and Insurance section depending on

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	and assessments		whether insured risks or not. Annual statement in accounts regarding contingent assets and liabilities following enquiries of staff in service departments, Legal Services and Risk and Insurance. Provisions in Constitution and Financial Regulations regarding settlement of claims.
Fraud	REQUIRED Programs and controls to prevent, detect and deter fraud - monitoring	What programs and controls has management established to prevent, detect, deter and mitigate fraud?  How does management monitor these programs and controls?	Management has a comprehensive set of internal controls to prevent fraud. The requirements are set out in Financial Regulations and these are complemented by more detailed guidance at departmental level. A comprehensive rolling programme of internal audit work is in place to provide assurance that these controls are in place, effective, and complied with. Staff are reminded of the need for vigilance from time to time, using CBT and newsletters. The Authority has a whistle blowing policy with reminders to staff and monitoring of reports and resulting outcomes.
Fraud	REQUIRED Monitoring of operating locations or business segments for fraudulent activities	What is the nature and extent of management monitoring of operating locations or business segments for fraudulent activities, including fraudulent financial reporting?	Management monitor their individual areas on an on-going basis and report to their respective departmental management teams. There is a requirement to report any suspected irregularities to Internal Audit, who will determine how to proceed in individual cases, including reporting to Police, investigation by internal audit and investigation by

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			management.
Fraud	REQUIRED Monitoring of operating locations or business segments with risk of fraud	Are there particular operating locations or business segments for which a risk of fraud may be more likely to exist?	Operating locations with high turnover and cash income are recognized as having higher risk. Risks from payments and payroll systems are high due to value. Internal Audit work is prioritised in these areas.
Fraud	REQUIRED Management's process for identifying and responding to fraud risks	What process has been established to identify and respond to fraud risks?  Note: consider inquiries about whether the process takes into consideration: --Fraud risk related to specific classes of transactions, account balances or disclosures; --Possibility of manipulation of information technology; --Incentive/ pressure, opportunity and attitude/ rationalization for fraud; --Fraud schemes common in the industry/ market?	A range of processes are used. These include close analysis of all the Authority's activities and the risk they pose in terms of loss through error / fraud/ reputation, exchange of information with other county councils, local district councils and neighbouring authorities, consideration and dissemination of information provided by NAFN, past experience of fraud in the Authority and regular scanning of the media to identify losses / issues in other organisations.
Fraud	REQUIRED Management's process for identifying and responding to fraud risks – communications between management and those charged with governance	What is the nature and extent of the communications between management and those charged with governance regarding management's process for identifying and responding to fraud risks?	A general review of fraud risk is completed as part of the annual planning process for the internal audit plan. This is reported to the Audit Committee, together with regular updates on progress against the Plan and an Annual Report. The AGS also covers fraud risk and how this is addressed. A review of the Red Book has recently been carried out and will be reported to those charged with governance.
Fraud	REQUIRED	Are you aware of or have you identified any	Yes, a range of issues have been

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	Actual, suspected or alleged instances of fraud	instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?	identified during the year. These have been investigated in accordance with the Financial Regulations and the Fraud Manual.
Fraud	REQUIRED Management's assessment of fraud risks, including the nature, extent and frequency of such assessment	How does management assess the risks that the financial statements may be materially misstated due to fraud?  What fraud risks have been identified?  What is the nature, extent, and frequency of such assessment?  What is the entity's response to identified fraud risks, including controls to mitigate the risks?	A material misstatement would require a fraud of £10m.  The key systems which could result in a misstatement of this scale are audited on a rolling programme.  The Authority has a broad range of controls in place over the key systems to mitigate the risk of a material misstatement.
Going concern	REQUIRED Identified events or conditions (and related business risks) that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern	Are there any events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern during the period of assessment used by management or after such period?  (Note: the period of management's assessment shall be at least, but not limited to, twelve months from the date of the financial statements being audited, or a longer period of time if required by the applicable financial reporting framework, by law or regulation or by auditing standards)	The report to County Council on 27 <sup>th</sup> February 2014 included an assessment of all significant business and financial risks and the risk actions/controls applied in mitigating these risks. The formal assessment by the Section 151 Officer took into account these risks in determining their assessment of going concern.
Laws and regulations	REQUIRED Laws and regulations that have a direct effect on	What laws and regulations have a direct effect on the determination of material amounts or disclosures in the financial statements?	The Code of Practice on Local Authority Accounting in the UK.

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	material amounts or disclosures in the financial statements		
Laws and regulations	REQUIRED Compliance with legal and regulatory framework	How is the entity complying with the legal and regulatory framework?	Decision making is undertaken by Committees and other meetings of County Council based on reports following a standardised template with sections covering financial, legal, human rights, equalities implications etc. Each report is checked for legal and regulatory compliance prior to publication. In addition each department and service area is aware of the legal and regulatory framework relevant to their areas and appropriately qualified staff are recruited and trained in relevant processes and procedures. There is oversight by relevant government and other agencies tasked with monitoring standards and compliance. Periodic internal audit inspections of each service area. Available legal advice for any casework or individual queries.
Laws and regulations	REQUIRED Compliance with legal and regulatory framework - directives or periodic representations	Are there directives issued by the entity or periodic representations obtained by the entity from management at appropriate levels of authority, concerning compliance with laws and regulations?	Financial Regulations, Constitution, terms and conditions of employment, service related communications to relevant staff about their roles and responsibilities. Also inspections for accreditation purposes by various professional bodies and for the purposes of relevant statutory

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			inspections such as Ofsted etc.
Laws and regulations	REQUIRED Prevention of noncompliance with laws and regulations	What policies, procedures, and controls has management established to prevent instances of noncompliance with laws and regulations, including illegal acts?	Decision making by Committees subject to appropriate advice via standardised committee reports covering relevant issues for consideration. Annual governance statement. Internal Audit procedures, Legal advisory support from in-house and external legal advisors on different areas of service delivery, training and development of staff from both internal and external sources, accreditation with relevant professional bodies, whistle blowing policy, Financial Regulations, contract procedures, complaints procedures, internal and external investigations, HR procedures, terms and conditions of employment including disciplinary procedures etc.
Laws and regulations	REQUIRED Actual, suspected or alleged instances of noncompliance with laws and regulations, including illegal acts	Are you aware of any instances of actual, suspected or alleged noncompliance with laws and regulations, including actual or possible illegal acts?	Internal Audit deal with allegations of fraud or criminal behaviour which is reported to the relevant authorities for investigation. Not aware of any other instances of non-compliance which would be required to be reported to the Council's Monitoring Officer and to the Council if they arose.
Litigation, claims and assessments	REQUIRED Identified litigation and claims	- Is the entity involved in any litigation, claims or assessments (including those defended by insurance companies)? - What is management's assessment of such matters?	Yes. Insurance claims managed by Risk and Insurance together with Council insurers. Non-insured cases managed by Legal Services together with appropriate external advisory

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		- Which litigation, claims and assessments involving the entity may have a material effect on the financial statements and/ or may require disclosure in the financial statements?	support where appropriate with claims being pursued or settled on the basis of legal advice in accordance with provisions within Constitution. Any contingent assets or liabilities arising as a result of litigation, claims or assessments are notified annually to Financial Services for reporting in annual statement of accounts.
Related parties	REQUIRED Identified related parties, including any changes from the prior period and the nature of the relationships	Who are the entity's related parties? Are there any changes in related parties from the prior period? - If there are related parties, what is the nature of the relationship between the entity and each related party?	Central Government – receive grants/funding. Nottingham and Nottinghamshire Futures Limited, CLASP and SCAPE - shareholders. Pooled arrangements for Integrated Community Equipment. Administering Authority for the Nottinghamshire LGPS.  In previous years there were no related parties identified through Chief Officers or Members declarations, however, this has yet to be assessed as part of the 2013/14 closedown.
Related parties	REQUIRED Identified transactions with related parties	Have there been any transactions with the identified related parties during the period, including with management or those charged with governance?  - If so, who are the parties, what are the transactions and what is the business rationale or purpose for the transactions?	Analysis yet to be undertaken
Related parties	REQUIRED Transactions with no	Are there any transactions that are not being given accounting recognition?  - If so, what is the business and accounting	All transactions will be recognised in accordance with the Code of Practice on Local Authority

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	accounting recognition	rationale for no accounting recognition?	Accounting
Estimate	REQUIRED Estimates - changes in circumstances	<p>Have there been changes in circumstances that may give rise to new or the need to revise existing accounting estimates?</p> <p>Note: the following are examples of changes in circumstances that may give rise to new or the need to revise existing accounting estimates:</p> <ul style="list-style-type: none"> <li>- the entity engaged in new types of transactions that may give rise to accounting estimates</li> <li>- the terms of transactions that give rise to accounting estimates changed</li> <li>- accounting policies relating to accounting estimates changed as a result of changes to the requirements of the applicable financial reporting framework or otherwise</li> <li>- regulatory or other changes outside the control of management occurred that may require management to revise or make new accounting estimates</li> <li>- new conditions or events occurred that may give rise to the need for new or revised accounting estimates</li> </ul>	There have been no changes to the accounting policies from the previous year or any changes to the critical judgements in applying the accounting policies that will affect the accounting estimates. Consequently there has been no revisions approach in determining the accounting estimates.
Accounting Policies	REQUIRED Compliance of accounting policies/ practices	<p>Are there any accounting policies / practices used by the entity in preparing its (consolidated) financial statements that are not:</p> <ul style="list-style-type: none"> <li>- in accordance with the applicable financial reporting framework</li> <li>- appropriate for its business</li> <li>- consistent with accounting policies used in the entity's industry?</li> </ul>	All accounting policies are in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom.
Related parties	REQUIRED Policies	What policies procedures and controls has management established for identifying related	All accounting policies are in compliance with the Code of Practice



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	procedures and controls	parties and authorizing approving monitoring accounting for and disclosing related party transactions and arrangements including those outside the normal course of business?	on Local Authority Accounting in the United Kingdom.
Going concern	REQUIRED Managements assessment of the entity's ability to continue as a going concern	Has management made an assessment of the entity's ability to continue as a going concern?  If so, what is management's assessment of the entity's ability to continue as a going concern?  If not, what is management's basis for the intended use of the going concern assumption?	The County Council on 27 <sup>th</sup> February 2014 set the annual budget, capital programme to 2017/18 and Medium Term Financial Strategy to 2017/18. This report included the formal assessment by the Section 151 Officer on the robustness of the Budget Estimates and the adequacy of the County Council's reserves in accordance with the 2003 Local Government Act. This indicates the Section 151 Officer has considered that the Authority has been assessed as a going concern.