

Norwich City Council  
City Hall  
Norwich NR2 1NH

3 August 2009

Your reference

Our reference

Mr. Andy Perrin  
District Auditor  
Audit Commission

Dear Andy

**COMPLIANCE WITH INTERNATIONAL AUDIT STANDARDS (UK AND IRELAND) 240**

I refer to the paper you presented to Audit Committee 25 June 2009 and your questions for consideration in order to meet the requirements of ISA (UK&I) 240.

As Chair of the Audit Committee, I have set out my views below:

- Are you satisfied that internal controls, including segregation of duties, exist and work effectively? If you have concerns then please identify the particular areas you consider to be at risk and your view as to whether any other controls are in place to help prevent, deter or detect fraud.

In November 2008, the Audit Committee considered and approved a revised Anti-Fraud and Corruption Strategy. Changes in the strategy included reference to new offences introduced by the Fraud Act 2006 and the strengthening of measures relating to culture, prevention and detection covering the specific areas of recruitment, exchange of information with other agencies and investigation procedures.

The Annual Governance Statement summarises the council's assessment of its internal control arrangements and compliance with its code of governance. The statement is informed by the work of the internal audit section based on its programme of work. Where internal audit find deficiencies in internal controls, recommendations are made to rectify them, which are followed up to see if they have been implemented.

Following questioning during the Audit Committee's review of the Annual Report on Internal Audit 2008/9, I was satisfied that all significant findings, particularly in relation to segregation of duties and independent review, had been, or were being, adequately addressed.

- How do you encourage staff to report their concerns about fraud? What concerns about fraud are staff expected to report?

The Employees' Code of Conduct, which is part of the Constitution and is on the HR Workforce system and council intranet, contains the following sections:

## 4.2 Personal Standards

*(vii) Report to the appropriate manager any serious impropriety or breach of procedure (see "Whistleblowing" Policy).*

### 15.5 Whistleblowing

*If you believe or suspect that a colleague in the City Council or any service user, potential or actual contractor or supplier is involved in corrupt or questionable practices, you must inform your Head of Service, Director, or the Chief Executive. The City Council's Policy on "Whistleblowing" (section J5 of the Personnel Policies Handbook) covers such matters.*

The council has had a whistleblowing policy for a number of years, which is also on the HR Workforce system and on the council intranet. The policy was refreshed recently, and was publicised in Inner City and presented to managers.

The whistleblowing policy covers "*any criminal offence, particularly fraud or corruption*", and includes guidance for managers and employees on how to react to instances of inappropriate behaviour.

It was recently recommended that staff should sign to abide by the Code of Conduct when accepting a new position. Additionally, in response to Members' questions at the recent Audit Committee meeting to review the Annual Governance Statement, officers indicated that additional training relating to fraud recognition and whistleblowing was being considered.

- Are you aware of any instances of fraud, either within the organisation as a whole or within any departments during the period 1 April 2008 – 31 March 2009?

No instances of fraud have been detected by internal audit or alleged via the whistleblowing policy for the period.

- Do you suspect fraud may be occurring, either within the organisation or within your department? If so please provide details of any specific fraud risks identified, the particular areas of the Council impacted and any particular locations considered to be at risk.

There is no evidence or reason to believe that fraud is occurring within the council.

- From a fraud and corruption perspective, what do you consider to be the high risk posts? If you consider there to be high risk posts, how are the risks relating to these posts identified, assessed and managed?

Managers who are in a position to override controls or influence the financial reporting process; employees with significant roles in internal control; and others where their role could have a material effect on financial statements.

Management is responsible for maintaining internal controls which reduce the risk of fraud, including segregation of duties, policies and procedures, and reinforcing a culture of non-tolerance towards fraud.

The internal audit plan is devised to take the above risks into account, and each individual audit review includes and addresses the risk of fraud.

Specific policies to deter fraud include codes of conduct, anti-fraud strategy and whistleblowing policy, financial regulations, and standing orders in relation to contracts. Some of these are included in the Constitution. In addition staff and members are expected to declare interests, gifts and hospitality, and, in the case of members and senior officers, related party transactions.

Additionally, a new housing and council tax benefit anti-fraud strategy was approved by the committee in November 2008 which placed particular emphasis on the role and duties of employees to, for instance, declare any personal interests they might have.

- Are you aware of any entries made in the accounting records of the organisation that you believe or suspect are false or intentionally misleading? If you consider this to be the case then are there particular balances where fraud is more likely to occur? Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of the organisation? Do you consider that a false accounting entry may escape detection, and, if so, how?

I am not aware of any suspect, false or intentionally misleading entries in the accounting records. This view has been formed by my knowledge of internal and external audit reports and the internal control framework operated within the Council.

- Are you aware of any organisational, or management pressure to meet financial or operating targets? Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to meet financial or operating targets?

I am not aware of anything inappropriate beyond normal performance management arrangements. I have never come across any inappropriate incentives.

Yours sincerely

Stephen Little  
Chair, Audit Committee  
Norwich City Council

[stephenlittle@norwich.gov.uk](mailto:stephenlittle@norwich.gov.uk)

cc

Helen Devlin, Audit Manager, Audit Commission