

Linda Kettles  
Audit Manager  
Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

## CORPORATE RESOURCES

### Financial Services

The Business Centre (Room 222), Futures Park,  
Bacup, OL13 0BB

This matter is being dealt with by:  
Name: Philip Seddon  
Telephone: 01706 252465  
Minicom: 01706 252277  
Email: philseddon@rossendalebc.gov.uk

Our reference:

Date: March 2013

Dear Ms Kettles,

### Rossendale Borough Council – year ended 31<sup>st</sup> March 2013

I write in relation to your letter dated 28<sup>th</sup> February 2013.

#### 1. Overseeing the management's process and assurance that all relevant laws and regulations have been complied with

1. Under its terms of reference the Audit and Accounts Committee considers and advises the Council on risk, control and governance, oversees the planned activity and results of both internal and external audit, and considers the adequacy of management's responses to issues identified by audit activity. It therefore oversees the work of the Council's Audit Service, which provides assurance to the Council on the adequacy and effectiveness of its internal controls, including financial controls, and also supports the Council in its management of the risk of fraud by providing an investigations service.
2. Since fraud represents a lapse in financial control, the Audit and Accounts Committee is also charged with responsibility for overseeing management's arrangements in response to the risk of fraud. However the Standards Committee is also charged with governance in this area (in particular maintaining an overview of the Council's Constitution and monitoring Council policies with regard to 'Whistle blowing' and the Anti-Fraud and Anti-Corruption strategy). The work of the Standards Committee is therefore also considered in this response.
3. Rossendale Borough Council, due to its size, takes a reasonable and proportional approach to the assessment of risk and to the assurance required over the controls implemented to manage risk. It is impractical to expect that either a committee of elected members or the Internal Audit Service, having adopted a risk-based approach, to be able to oversee and assess all management processes. Nor can total and absolute assurance be gained that compliance with all applicable laws and regulations are achieved.



4. The Audit and Accounts Committee approves the annual internal audit plan, which is based on an assessment of the Council's full range of operational and financial controls. Where controls to manage the risk of non-compliance with laws and regulations are assessed as significant, these are included in the annual audit plan.
5. The annual audit plan refers to the Audit Service's work to support management in managing the risk of fraud and, in particular, sets aside audit resources by way of a contingency for, inter alia, the investigation of suspected or alleged instances of fraud. The audit plan is also built upon an assessment of risk that includes the risk of non-compliance with relevant laws and regulations.
6. The Audit and Accounts Committee will receive reports, as required, from the Internal Audit Service including reports on breaches of internal control and fraud risks. The Finance Manager also briefs the Committee on financial matters, and other officers may attend to brief the Committee on control issues as necessary to respond to audit reports and inform the Committee on progress where remedial action has been agreed.
7. When setting the Internal Audit Annual Plan the Internal Audit Service considers the fraud risks to the council. Controls to prevent and detect fraud are also tested as part of individual audits, in particular the Council's key financial systems.
8. Grant Thornton will be aware that the Council actively participates in its National Fraud Initiative which serves as a regular extension of the work done by the audit service throughout the year. Checks are carried out promptly on the reports raised by this.
9. The Internal Audit Service and in particular the Principal Auditor serves as one of the authority's key contacts for 'whistle-blowing' matters under the Council's policy. Investigations will be undertaken promptly and pursued vigorously and, where appropriate, liaised with the police.
10. The Audit and Accounts Committee has previously been provided with the annual report of the Head of Internal Audit. This report has also been shared with the Audit Commission. Both management and the Audit Committee are aware of Grant Thornton's assessment of the level at which misstatements of the financial statements are deemed to be material, and are briefed on the Commission's assessment of the risks of material Misstatement of the financial statements, including the risk of fraud. Any risk of misstatement due to fraud with a potential impact of this magnitude would be highlighted immediately by the Internal Audit Service to both management and the Audit Committee.
11. The Audit and Accounts Committee takes its role in reviewing the effectiveness of internal control, including financial control arrangements, seriously. It values its independence, its direct reporting line and ability to make recommendations to Cabinet, Council and other organisations where appropriate.



12. A key element of the assurance available to the Committee and to the Council is the suite of assurance statements made by each of the Heads of Service annually that support the annual governance statement and require each Head of Service to take personal responsibility for the operation of an adequate and effective control system, which includes compliance with applicable laws and regulations.
13. The Committee will receive information about instances of financial impropriety and fraud within the Head of Internal Audit's annual report. It also concerns itself with control arrangements within the Council's partnerships, where policies and arrangements to counter the risk of fraud are covered by formal partnership agreements and as part of the risk assessment process.
14. The Council has an approved Anti-Fraud and Anti-Corruption Strategy and a whistle-blowing policy (monitored by Overview & Scrutiny). These documents have been periodically communicated to the Council's staff, by inter alia: staff inductions, personal development reviews, daily messages and team briefings.
15. A proportionate approach is taken to further awareness-raising and those members of staff exposed to the risk of fraud or impropriety are made well aware of the council's position, for example through: formal training, staff 121's, team briefings, daily messages.

## **2. Actual, suspected or alleged frauds affecting the Council**

1. The Audit Committee and the Council's senior officers are unaware of any actual, suspected or alleged frauds affecting the Council during 2012/13.
2. In particular the above frame work and environment ensures that controls are in place to identify fraud from both high risk posts and any related party relationships or transactions. Again, the Audit Committee and the Council's senior officers are unaware of any such instances.

## **3. Litigation and claims that would affect the financial statements**

1. The management are not aware of any potential litigation or claims, other than those already disclosed to Grant Thornton and disclosed in the financial statements.
2. In addition a more detailed Letter of Representation will be signed by the Head of Financial Services in due course.

## **4. Going Concern**

1. Grant Thornton is aware of the Council's Medium Term Financial Strategy (MTFS), the challenges that it faces and the options available to the Council. The MTFS is based on a set of assumptions which will become clearer during 2013/14 and beyond as the council develops further its savings plan and Central Government announces resource allocations beyond initial estimates for 2014/15.



Yours sincerely,

Councillor T. Aldred  
**Chair of the Audit & Accounts  
Committee**

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