



AUDIT COMMITTEE – 25TH JULY 2017

**SUBJECT: AUDIT COMMITTEE ASSURANCE OVER MANAGEMENT PROCESSES
AND ARRANGEMENTS**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & SECTION 151
OFFICER**

1. PURPOSE OF REPORT

- 1.1 To present the Audit Committee with the Chair's response to the External Auditor, Grant Thornton, on how the Committee gains assurance over management processes and arrangements.

2. SUMMARY

- 2.1 As part of their audit planning and to comply with International Accounting Standards the External Auditor needs to gain an understanding of how the Audit Committee gains assurance over management processes and arrangements.
- 2.2 A list of questions was sent to the Chair of the Audit Committee and the response is appended to this report.

3. RECOMMENDATIONS

- 3.1 Members of the Audit Committee are asked to note the response appended to this report.

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Consultees: Nicole Scammell, Acting Director of Corporate Services & S151 Officer
Richard Harris, Internal Audit Services Manager

Appendices:
Appendix 1 Response from the Chair of the Audit Committee

External Audit Queries

1. How does the Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error;
 - identifying and responding to the risk of breaches of internal control;
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist); and
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?

The Audit Committee gives the Council assurance against risk and fraud via receiving regular reports where effective scrutiny takes place. External Auditors also review and report on the periodic reports by Internal Audit on fraud and the anti-fraud measures in place.

The Audit Committee plays an active part in the audit planning process by suggesting audits for the Internal Audit Team to undertake and by approving the Annual Audit Plan. The Audit Committee also receives a mid-year progress report and outturn report which would highlight any issues arising.

Internal Audit also reports the results of the National Fraud Initiative and presents to the Committee the draft Annual Governance Statement for scrutiny, comment and agreement. These reports would also highlight any serious breaches.

Risk management training is provided to Audit Committee members as part of the ongoing training and development process and members are extremely effective in questioning staff from Internal and External Audit on reports they receive regarding monitoring of the corporate risk register.

The Committee receives reports and updates on the progress made in addressing agreed improvement actions in respect of the annual governance review and external regulator reports. I am aware that staff receive training on the code of conduct and fully understand the importance of the policy. Declarations in respect of gifts and hospitality are also reported to the Committee on a regular basis.

2. Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.

None that I am aware of.

3. How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?

The Committee gains assurance that laws and regulations are met via the Annual Governance Statement, reports from the Monitoring Officer e.g. RIPA and reports from Internal Audit and the Director of Corporate Services. Assurance is also gained through WAO/External Auditor reports.

4. Do you have knowledge of any whistleblower tips or complaints in relation to the financial statements? If so, please provide details.

None that I am aware of.

- 5 Do any Audit Committee members have a financial/financial reporting background/qualification?

There are a number of new Members on the Audit Committee following the Local Government elections in May 2017. I am aware that some members have a financial background or specific interest in finance. As the new Chair of the Committee I will be meeting regularly with the Head of Internal Audit and a training and development plan will be agreed for the forthcoming year for all members of the Committee.

A handwritten signature in blue ink, appearing to read 'M Sargent', with a horizontal line underneath the name.

Cllr M Sargent,

Audit Committee Chair

13th July 2017