



## AUDIT COMMITTEE – 23RD JULY 2019

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

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

---

### **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 Auditing 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.

### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that members of the Audit Committee are aware of the Chair's response to the External Auditors.

### **5. THE REPORT**

- 5.1 As part of the external audit of the Authority's financial statements for the year ended 31<sup>st</sup> March 2019 the External Auditor, in compliance with the International Auditing Standards, is required to refresh his understanding of how the Audit Committee gains assurance over management processes and arrangements.
- 5.2 The Audit Committee Chair has responded to a list of questions provided by the External Auditor and the response is appended to this report.

### **Conclusion**

- 5.3 The report informs Members of the responses provided to the External Auditor by the Chair.

## **6. ASSUMPTIONS**

6.1 No assumptions have been made in respect of this report.

## **7. LINKS TO RELEVANT COUNCIL POLICIES**

7.1 Strong corporate governance arrangements are an essential element of ensuring that the Council's key priorities are effectively delivered.

## **8. WELL-BEING OF FUTURE GENERATIONS**

8.1 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

## **9. EQUALITIES IMPLICATIONS**

9.1 There are no equalities implications.

## **10. FINANCIAL IMPLICATIONS**

10.1 There are no direct financial implications arising from this report.

## **11. PERSONNEL IMPLICATIONS**

11.1 There are no personnel implications.

## **12. CONSULTATIONS**

12.1 Any comments received from consultees have been included within the report.

## **13. STATUTORY POWER**

13.1 Local Government Act 2000

Author: S Harris, Interim Head of Business Improvement Services & Acting S151 Officer  
Tel: 01443 863022 Email: [harrisr@caerphilly.gov.uk](mailto:harrisr@caerphilly.gov.uk)

Consultees: R Edmunds, Corporate Director for Education & Corporate Services  
R Harris, Internal Audit Manager

Appendices:

Appendix 1 Response from the Chair of the Audit Committee

## **External Audit Queries for Audit Committee Chair**

### **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 behaviour (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.*

*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 reports the results of the National Fraud Initiative (NFI) 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.**

*Two ongoing investigations were brought to the attention of the Audit Committee by the Internal Audit Manager in his year-end report, they were also mentioned in the Annual Governance Statement.*

### **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 complied with 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 from work undertaken and reported on by the WAO/External Auditor.*

**4. Are you aware of any actual or potential litigation or claims that would affect the financial statements?**

*None known*

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

*None known.*

**6. Do any Audit Committee members have a financial/financial reporting background/qualification?**

*A number of the Members of the Audit Committee have a financial background or specific knowledge or interest. Examples include experience in finance relating to book keeping, sales ledger, company accounts, financial administration and audit experience in past employment. This is in addition to finance and treasurer roles in the voluntary sector, charities and sports clubs.*

**Cllr M Sargent**



**Audit Committee Chair**

**3<sup>rd</sup> July 2019**