

Enquiries of management

General enquiries (including financial reporting) of management	
Question	Response
1. Are there significant matters and/or events that have occurred since April 2022 that could influence our audit approach or the Council's financial statements?	None.
2. What are your general views on the Council's risk assessment process relating to financial reporting?	<p>The Medium-Term Financial Plan (MTFP) is currently a 'Red Risk' on the Corporate Risk Register, and this is also reflected in Directorate Risk Registers.</p> <p>The budget monitoring process highlights any financial concerns and mitigating actions required. The Head of Financial Services & Section 151 Officer is consulted on the financial implications of all reports presented to Cabinet and Council.</p>

General enquiries (including financial reporting) of management

Question	Response
3. Are you aware of significant transactions that are outside the normal trading activities of the Council's business?	Not aware of any significant transactions outside normal activities of the Council's business.
4. Are you aware of any transactions, events or changes in circumstances that would cause impairments of non-current assets (ie. its fixed assets, such as land and buildings)?	Not aware of any transactions, events or changes in circumstances that would cause impairments of the Council's non-current assets.
5. Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	Valuation of the Greater Gwent Torfaen Pension Fund. Valuation estimates related to the Council's Property, Plant and Equipment.
6. Does the Council have any new estimates in respect of the 2022-23 year of account?	No new estimates.

General enquiries (including financial reporting) of management

Question	Response
7. Have there been any issues that may impact the preparation of the 2022-23 financial statements?	No Issues.
8. Do you have knowledge of events or conditions beyond the period of the going concern assessment that may cast significant doubt on the Council's ability to continue as a going concern?	No going concern issues identified.
9. Are there any issues around the use of service organisations or common functions, including uncorrected misstatements from service organisations? This would include the NHS Wales Shared Services Partnership.	None.
10. Please provide information on the status of the disclosed contingencies from the prior year.	No contingent liabilities disclosed in 2021/22.

General enquiries (including financial reporting) of management

Question	Response
11. What are your views on the Council's control environment? How would you assess the process for reviewing the effectiveness of internal control?	<p>The Council has established a Governance & Audit Committee which has a range of responsibilities including consideration of the effectiveness of the internal control environment.</p> <p>The Governance & Audit Committee receives Internal Audit reports on the opinions generated from individual audits and progress against audit recommendations</p> <p>The Internal Audit Manager prepares an outturn report annually which includes an audit opinion on the effectiveness of internal controls, and this is incorporated into the Annual Governance Statement which is presented to and endorsed by the Governance & Audit Committee prior to its inclusion in the Financial Statements.</p>
12. If significant internal control deficiencies were reported in the prior year, please comment on the status of these.	None.

Enquiries of management - in relation to fraud

Question	Response
<p>13. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud? What is the nature, extent and frequency of management's assessment?</p>	<p>Management is content that the risk of the financial statements being materially misstated due to fraud is low.</p> <p>This is due to the following: -</p> <ul style="list-style-type: none">• The identification of potential fraud is built into audit work as a matter of course and the Internal Audit Team provides ad hoc advice to service areas on request or where necessary.• Instances of fraud remain low.• The Purchase Ledger Team receives notifications of potential creditor fraud from the South Wales Creditor Group, which allows us to monitor these suppliers and raise awareness amongst payments staff. The Internal Audit Team also receives these notifications and where issues are identified relevant advice or guidance on best practice is issued.• We maintain a software package (AP Forensics) to monitor Purchase Ledger payments. This package identifies potential instances of fraud and error that are investigated prior to the release of funds.

Enquiries of management - in relation to fraud

Question	Response
	<ul style="list-style-type: none">• We have an effective system of internal control underpinned by Financial Regulations and Standing Orders for Contracts. Compliance is good with no material issues being identified.• We work with the DWP's Single Fraud Investigation Service in respect of Housing Benefit fraud.
14. Do you have knowledge of any actual, suspected or alleged fraud affecting the Council?	There is one ongoing police investigation relating to potential fraud in a previous reporting period.
15. What is management's process for identifying and responding to the risks of fraud in the Council, including any specific risks of fraud that management has identified or that have been brought to its attention?	We have a number of key policies that are available on the Council's Intranet including the following: - <ul style="list-style-type: none">• Anti-Fraud, Bribery and Corruption Policy.• Anti-Money Laundering Policy.• Payment Card Industry Data Security Standard Policy.• Whistleblowing Policy.• I.T. Security Policy.

Enquiries of management - in relation to fraud

Question	Response
	Any instances of alleged or suspected fraud are followed up and investigated. The number of instances are small and there have been no material matters that impact on the Financial Statements for the 2022/23 financial year.
16. What classes of transactions, account balances and disclosures, within the financial statements, have you identified as most at risk of fraud?	Cash Receipting, Petty Cash, Payroll and Creditor Payments (including purchase card transactions).
17. Are you aware of any whistleblowing or complaints by potential whistleblowers? If so, what has been the Council's response?	There have been no whistleblowing referrals during the 2022/23 financial year. When whistleblowing notifications are received, they are fully investigated in accordance with the Council's whistleblowing policy, as are anonymous reports and complaints.
18. What is management's communication to those charged with governance (full Council)	One of the key functions of the Governance & Audit Committee is to consider the effectiveness of the Council's

Enquiries of management - in relation to fraud

Question	Response
<p>regarding their processes for identifying and responding to risks of fraud?</p>	<p>risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.</p> <p>The Council has formally agreed a Risk Management Strategy which was originally endorsed in 2013 and updated in 2017. The Strategy was reviewed and updated again during the 2021/22 financial year and endorsed by the Governance & Audit Committee at its meeting on 25 January 2022.</p> <p>The Governance & Audit Committee approved the Caerphilly CBC Anti-Fraud Strategy on 14 June 2022, and this is underpinned by an Action Plan that was presented to the Committee on 11 October 2022. The Action Plan is currently in the process of being updated and refreshed.</p> <p>The Council has taken steps to ensure that its ability to mitigate cyber risk is effective given the escalating global threats, and at its meeting on 14 June 2022 the Governance & Audit Committee also endorsed the Council's Draft Cyber Security Strategy.</p>

Enquiries of management - in relation to fraud

Question	Response
19. What is management's communication to employees regarding their views on business practices and ethical behaviour?	<p>The Council's Constitution contains formal codes of conduct that articulate the standards of ethical behaviour that are expected from both Members and Officers. These incorporate procedures for the disclosure of personal interests and offers of gifts and hospitality.</p> <p>Both Members and Officers are made aware of the personal conduct and disclosure requirements, and they are available for reference on the Council's Intranet.</p> <p>All declarations of Member gifts and hospitality are reported to the Council's Standards Committee. For Officers, a quarterly update is given to the Council's Governance & Audit Committee.</p> <p>Customer Services standards have been introduced as standards of behaviour adopted by the Council that all staff should be adhering to.</p> <p>Core policies are provided to staff on induction into the Council. Core policies are also available on the Council's Intranet, including the following: -</p> <ul style="list-style-type: none">• Financial Regulations and Standing Orders.

Enquiries of management - in relation to fraud

Question	Response
	<ul style="list-style-type: none">• Anti-Fraud, Bribery and Corruption Policy.• Human Resources Portal – Managing Performance and Code of Conduct.• Information Governance/Data Protection.• Whistleblowing Policy.• Code of Conduct for Officers and Members.
20. For the Council's service organisations, have you reported any fraud or potential fraud to any affected parties?	None.

Enquiries of management – in relation to laws and regulations

Question	Response
21. What are the policies and procedures in place to identify applicable legal and regulatory requirements to ensure compliance?	<p>The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including the following: -</p> <ul style="list-style-type: none">• Corporate Management Team.• Directorate Management Teams.• Heads of Service.• Head of Legal Services & Monitoring Officer.• Head of Financial Services & S151 Officer.• Senior Information Risk Owner (SIRO).• Data Protection Officer.• Internal Audit.• External Audit.• Performance Management Framework. <p>The Head of Legal Services & Monitoring Officer and the Head of Financial Services & S151 Officer routinely attend each formal meeting of the Corporate Management Team and they also attend all Cabinet meetings. Furthermore, the standard committee reporting procedure and report template requires these Officers to examine reports to the Executive for compliance with legal and procedural issues. The report template also includes a section on financial implications</p>

Enquiries of management – in relation to laws and regulations

Question	Response
	<p>which is reviewed by the Head of Financial Services & S151 Officer.</p> <p>In addition to the above, the Council has a Deputy Monitoring Officer and a Deputy Section 151 Officer to ensure that adequate cover for these roles is in place during periods of sickness absence or annual leave.</p>
22. Are you aware of any instances of non-compliance with laws or regulations? Has the Council received any notice of any such known of possible instances of non-compliance?	None.
23. Have there been any examinations or inquiries performed by licensing, tax, or other authorities/regulators?	HMRC have recently completed a compliance check on VAT return submissions with no issues subsequently raised.
24. Has there been any significant communications with regulators?	No significant communications to disclose.

Enquiries of management – in relation to laws and regulations

Question	Response
25. For the Council's service organisations, have you reported any non-compliance with laws and regulations?	None.

Enquiries of management – in relation to regularity

Question	Response
26. What is your assessment of the risk of material irregularity, in respect of the 2022-23 financial statements?	Management is content that the risk of material irregularity is low in respect of the 2022/23 financial statements
27. What is the process for responding to the risk of irregularity?	Please refer to the response to question 21.
28. What is your knowledge of actual, suspected, or alleged irregularity?	Not aware of any actual, suspected, or alleged irregularity.
29. Where service organisations are used by the Council, have any irregularities been reported to any affected parties?	None.

Enquiries of management in relation to related parties

Question	Response
30. Have there been any changes to related parties from the prior year? If so, what is the identity of the related parties and the nature of those relationships?	No significant changes to the related party disclosures from the prior year.
31. What transactions have been entered into with related parties during the period? What is the purpose of these transactions?	The Council is required to disclose material transactions with related parties i.e. bodies or individuals that can potentially control or influence the Council, or to be controlled or influenced by the Council. Details of related party transactions are provided in Note 20 of the 2022/23 Draft Financial Statements.
32. What controls are in place to identify, account for and disclose related parties?	The Council's Democratic Services Team maintains registers of interest for all Members, which are updated routinely on an annual basis. Members are also advised to notify Democratic Services of any changes as they occur. The Register of Interests for each Member are available on the Council's website. In addition to this process Members and Seniors Officers are also asked by Corporate Finance to complete a 'Disclosure of Interest' form as part of the annual accounts process.

Staff are also asked to disclose details of interests and gifts and hospitality. These are routinely reported to the Governance & Audit Committee

33. What controls are in place to authorise and approve significant transactions and arrangements:

- with related parties; and
- outside the normal course of business?

All contracts are let in accordance with the Council's Standing Orders and Financial Regulations.

At the commencement of meetings, Members are reminded of their responsibility to declare any personal and/or prejudicial interest(s) in respect of any item of business on agendas in accordance with the Local Government Act 2000, the Council's Constitution and the Code of Conduct for both Councillors and Officers.

Necessary disclosures are included in the Financial Statements which are reviewed and endorsed by the Governance & Audit Committee annually prior to Council consideration and approval.

Enquiries of those charged with governance

Enquiries of those charged with governance	
Question	Response
34. Do you have any knowledge of actual, suspected, or alleged fraud affecting the entity?	There is one ongoing police investigation relating to potential fraud in a previous reporting period.
35. What is your assessment of the risk of fraud within the entity, including those risks that are specific to the Council's business sector?	Not aware of any significant risks of fraud.
36. How do you exercise oversight of: <ul style="list-style-type: none">• Management's processes for identifying and responding to the risk of fraud in the Council; and• The controls to manage these risks?	<p>The Governance & Audit Committee approved the Caerphilly CBC Anti-Fraud Strategy on 14 June 2022, and this is underpinned by an Action Plan that that was presented to the Committee on 11 October 2022.</p> <p>The Council's recently appointed Deputy Section 151 Officer will be the Council's 'Fraud Champion' and the Anti-Fraud</p>

Enquiries of those charged with governance

Question	Response
	<p>Strategy Action Plan is currently in the process of being updated and refreshed.</p> <p>The Council has taken steps to ensure that its ability to mitigate cyber risk is effective given the escalating global threats, and at its meeting on 14 June 2022 the Governance & Audit Committee endorsed the Council's Cyber Security Strategy.</p>
37. Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of the Council?	None.
38. Are you aware of any instances of non-compliance with relevant laws and regulations?	None.
39. What is the process for identifying and responding to the risks of fraud?	The Council has established a Governance & Audit Committee which has a range of responsibilities including

Enquiries of those charged with governance

Question	Response
	consideration of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.
40. Are there any matters which those charged with governance consider require particular attention during the audit?	None.
41. Are there any other matters which those charged with governance consider may influence the audit of the financial statements?	None.
42. Are those charged with governance aware of any significant communications with regulators?	None.
43. What arrangements are in place to oversee the effectiveness of internal control?	The Council has established a Governance & Audit Committee which has a range of responsibilities including

Enquiries of those charged with governance

Question	Response
	<p>consideration of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.</p> <p>A Corporate Governance Review Panel has also been established to oversee the compilation of the Annual Governance Statement (AGS), which is presented to both the Governance & Audit Committee and Council as part of the Financial Statements. Membership of the Panel is as follows: -</p> <ul style="list-style-type: none">• Corporate Director for Education & Corporate Services (Chair).• Head of Financial Services and S151 Officer.• Head of Legal Services & Monitoring Officer.• Head of Transformation.• SIRO/Head of Customer & Digital Services.• Internal Audit Manager.• Cabinet Member for Finance and Performance.• Chair of Governance & Audit Committee.

Background information

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management, and 'those charged with governance' (full Council). Management, with Council members, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by Council members.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures, we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets; or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how Council members exercises oversight of management's processes. We are also required to make enquiries of both management and Council members as to their knowledge of any actual, suspected, or alleged fraud and for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, (full Council), is responsible for ensuring that the Fund's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements; and
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures, we are required to make inquiries of management and full Council as to whether the Fund is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance, we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors' responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions, and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the Council's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the Council's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Regularity

Regularity is the concept that transactions that are reflected in the financial statements must be in accordance with the Council's framework of authorities.

Frameworks of authorities are external frameworks, specific to an audited entity, with which the audited entity's transactions must conform. These frameworks are set up by bodies able to issue and/or enforce the authorities for that entity and might include, for example:

- authorising legislation;
- regulations issued under governing legislation;
- parliamentary authorities; and
- government or related authorities (for example Managing Welsh Public Money, issued by the Welsh Government).

Further information is available in [Practice Note 10](#).

What are we required to do?

The Practice Note includes an overview, from page 56 of the Practice Note, of what we are required to do.