

Report To: Corporate Governance Committee

Date of Meeting: 28 September 2016

Lead Member / Officer: Councillor Julian Thompson-Hill / Richard Weigh, Head of Finance

Report Author: Steve Gadd, Chief Accountant

Title: **Audit Enquiries 2015/16**

1. What is the report about?

To introduce the Audit Enquiries Letter and the Council's response to those enquiries.

2. What is the reason for making this report?

Wales Audit Office (WAO), as DCC's appointed external auditors, have a duty to obtain evidence of how management and those charged with governance (in DCC this is the Corporate Governance Committee) are discharging their responsibilities for preventing and detecting fraud. The letter setting out the requirements and the details of the responses are included as **Appendix 1**.

3. What are the Recommendations?

That the Chair of the Corporate Governance Committee formally confirms the responses included in Appendix 1 to this report.

4. Report details

The details of the responses of both management (Richard Weigh, Head of Finance) and Corporate Governance Committee (Cllr Jason McClellan, Chair of CGC) are set out in Appendix 1. In summary the responses set out the Council's approach to the following areas of governance:

- Management processes in place to identify and mitigate against the risk of fraud.
- Awareness of any actual or alleged instances of fraud.
- Processes to gain assurance that all relevant laws and regulations have been complied with.
- Whether there is any potential litigation or claims that would affect the financial statements.
- Processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

5. How does the decision contribute to the Corporate Priorities?

The annual external audit process underpins the financial stewardship and governance of the council and therefore supports all council services and priorities.

6. What will it cost and how will it affect other services?

There are no additional cost implications as a result of this report.

- 7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report**
Not applicable.
- 8. What consultations have been carried out with Scrutiny and others?**
Wales Audit Office sought responses from Richard Weigh as Head of Finance and Section 151 Officer and Cllr Jason McClellan as Chair of the Corporate Governance Committee.
- 9. Chief Finance Officer Statement**
It is important that the Council discharges its responsibility for preventing and detecting fraud in all aspects of its work. The assurances sought by WAO in relation to fraud form a useful check to ensure that there are appropriate processes in place to identify and mitigate against the risk of fraud.
- 10. What risks are there and is there anything we can do to reduce them?**
The risk is that fraud could lead to the misappropriation of the Council's assets or the manipulation or misstatement of the financial statements. The responses from management and the Corporate Governance Committee help demonstrate that there are processes in place for identifying and responding to the risk of fraud and that adequate internal controls are in place to mitigate those risks.
- 11. Power to make the Decision**
The International Standard for Auditing (UK and Ireland) 240 (ISA 240) sets out that the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for DCC is the Corporate Governance Committee. The ISA 240 also sets out the requirement for external audit to obtain an understanding of how the Council discharges its responsibilities.