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| <b>Report to</b>             | Governance and Audit Committee   |
| <b>Date of meeting</b>       | 27 <sup>th</sup> July 2022   |
| <b>Lead Member / Officer</b> | Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets |
| <b>Report author</b>         | Steve Gadd, Head of Finance and Property                                 |
| <b>Title</b>                 | Audit Enquiries 2021/22  |

## 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?

Audit Wales (AW), 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 Governance and Audit Committee) are discharging their responsibilities for preventing and detecting fraud. The details of the responses and the letter setting out the requirements are included as **Appendix 1 and 2**. The responses relate to 2021/22 financial year and therefore the previous Governance and Audit Committee Chair was asked to review the Council's proposed response.

## 3. What are the Recommendations?

That the Governance and Audit Committee note that the responses included in Appendix 2 to this report have been approved by the previous Chair of the Governance and Audit Committee on 4<sup>th</sup> May 2022 and submitted to Audit Wales on 6<sup>th</sup> May 2022.

## **4. Report details**

The details of the responses of both management (Steve Gadd, Head of Finance and Property, and Bob Chowdhury, Chief Internal Auditor) and Governance & Audit Committee (Cllr Barry Mellor, Chair of G&AC) are set out in Appendix 2. 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 Well-being Impact Assessment?**

It is the professional judgement of the Section 151 Officer that a Well-being Impact Assessment is not required for this report.

## **8. What consultations have been carried out with Scrutiny and others?**

Wales Audit Office sought responses from Steve Gadd as Head of Finance and Property and Section 151 Officer and Cllr Barry Mellor as Chair of the Governance and Audit Committee. Bob Chowdhury, Chief Internal Auditor was also consulted.

## **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 AW 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 Governance and Audit 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.