

AUDIT & STANDARDS COMMITTEE

Agenda Item 89

Brighton & Hove City Council

Subject:	Letter from Chair of Audit & Standards Committee: Understanding how the Audit & Standards Committee gains assurance from management		
Date of Meeting:	16th April 2013		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Ian Withers	Tel: 29- 1323
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the Audit & Standards Committee response to the request made by Ernst & Young to those charged with governance.

2. RECOMMENDATION:

- 2.1 That the Audit & Standards Committee note the response by the Chair contained in the letter at Appendix A, to Ernst & Young's request.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Annually the Council's external auditors, now Ernst & Young request a letter from the Audit & Standards Committee as the committee charged with governance as part of the requirements of the International Standards on Auditing. In particular, understanding how the Audit & Standards Committee gains assurance from management.
- 3.2 The letter at Appendix A provides a response to the request by the Chair on behalf of the Audit & Standards Committee. It forms part of the audit of the Council's Financial Statements for the year ended 31st March 2013.
- 3.3 Ernst & Young requested responses to seven prime questions relating to fraud:
 1. How does the Audit & Standards Committee, as 'those charged with governance' at the Council, exercise oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);

- identifying and responding to risks of fraud in the Council, 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;
 - communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct);
 - encouraging employees to report their concerns about fraud; and
 - communicating to you the processes for identifying and responding to fraud or error?
3. How does the Audit & Standards Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?
4. Is the Committee aware of any:
- breaches of, or deficiencies in, internal control; and
 - actual, suspected or alleged frauds during 2012/13?
5. Is the Committee aware any organisational or management pressure to meet financial or operating targets?
6. How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2012/13?
7. Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements?

How does the Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The assurances from the Audit & Standards Committee support the audit of the 2012/13 financial statements.

*Finance Officer Consulted: Anne Silley
Head of Business Engagement*

Date: 2 April 2013

Legal Implications:

- 5.2 This report is for noting only. Statements as to the functions of the Audit & Standards Committee in the letter at Appendix 1 are consistent with its terms of reference.

Lawyer Consulted: Oliver Dixon

Date: 2 April 2013

Equalities Implications:

- 5.3 No direct equalities implications.

Sustainability Implications:

- 5.4 No direct sustainability implications.

Crime & Disorder Implications:

- 5.5 Fraud is a crime and can result in significant financial loss to the Council.

Risk and Opportunity Management Implications:

- 5.6 An effective Audit & Standards Committee will ensure that the council has adequate arrangements for risk and opportunity management.

Public Health Implications:

- 5.7 No direct crime and disorder implications.

Corporate / Citywide Implications:

- 5.8 No direct corporate/city wide implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1 – Letter from the Chair of the Audit & Standards Committee

