

Audit Committee – 25 February 2013

External Auditor's Letter - Audit Committee Assurance

1. Summary of report

- 1.1 This report contains the External Auditor's letter to Audit Committee requesting information on how the Audit Committee gains assurance over management processes and arrangements in respect of the Financial Statements for the year ending 31 March 2013.

2. Recommendations

Audit Committee is requested to consider the attached letter and the draft response (to be circulated), revise the draft as required and agree the final response to Grant Thornton for submission by 1 March 2013.



James Walsh, Chief Finance Officer
15 February 2013

3. Governance

Each year the council's External Auditors, under International Accounting Standards, are required to refresh their understanding of how the Audit Committee seeks assurance in respect of management processes and arrangements. This year, the auditors have written to the Chair of the Committee requesting a written response by 1 March 2013. The Auditors letter is attached and a response is being drafted. This will be circulated for discussion, revision and sign off at the meeting.

4. Resource and legal considerations

None directly relating to this report.

5. Performance and risk management issues

Performance and risk management is embedded in the council's processes.

6. Equality implications

None directly associated with this report.

7. Consultation

The draft letter has been drafted by in discussion with officers.

8. Background papers – Letter from Grant Thornton and Various working papers.

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Councillor Hughes
Chair of Audit Committee
Walsall Metropolitan Borough Council
The Civic Centre
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30 January 2013

Dear Councillor Hughes

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Walsall MBC Financial Statements for the year end 31 March 2013
Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Audit Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me with your responses to the following questions.

- 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)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?
- 5 How has the Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?.

Please could you provide a response by 1st March 2013 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Sethi', with a long horizontal flourish extending to the right.

Perminder Sethi
Senior Manager
Assurance

For Grant Thornton UK LLP