

**Audit Committee – 27 June 2016**

**Understanding how the Audit Committee gains Assurance from Management**

**1. Summary of report**

1.1 Auditing arrangements require Ernst Young (EY) (our external auditors) to formally update their understanding of management's processes and arrangements annually. As part of their work Ernst Young are required to obtain an understanding of management processes and the Audit Committee's oversight of these including in relation to:

- The risk that the financial statements may be materially misstated,
- Fraud, including identifying and responding to the risks of fraud,
- Compliance with laws and regulations
- internal controls and breaches thereof
- Adopting a going concern basis.

1.3 EY have written formally to the Audit Committee, the Monitoring Officer (MO) and to the Chief Finance Officer (CFO). Draft responses from the MO and CFO (on behalf of management) are attached to this report, along with a draft response from Audit Committee, subject to the Committees comments, review and amendments.

**2. Recommendations**

Audit Committee is requested to:

- 2.1 Consider whether the management responses to the series of question set out in the attached letters to the CFO (Appendix 1) and MO (Appendix 2) are consistent with Audit Committee's understanding and whether there are any further comments Audit Committee wishes to make.
- 2.2 Consider, comment and amend as appropriate the draft response to the letter addressed to the Audit Committee and agree a final version for return to EY (Appendix 3).

**3. Governance**

Each year the council's External Auditors, under Accounting Standards, are required, as part of their risk assessment procedures, to obtain an understanding of management processes and the Audit Committee's oversight of the Council's governance arrangements. Our auditors have produced a series of letters setting out a series of questions covering the key areas. Management have provided responses to these.

**4. Resource and legal considerations**

The report sets out and responds to a number of questions in relation to management arrangements in respect of laws and regulations and the Audit Committee's oversight of these arrangements.

**5. Performance and risk management issues**

Performance and risk management is embedded in the council's processes. Management arrangements in respect of fraud and the going concern concept are set out in the report.

**6. Equality implications**

None directly associated with this report.

**7. Consultation**

Management responses have been drafted in discussion with the Chief Finance Officer, Monitoring Officer, the Chief Executive and Corporate Management Team and consultation undertaken with the Chairman of the Audit Committee on draft responses to the letter addressed to the Committee.

**8. Background papers – Various working papers.**

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**James Walsh – Chief Finance Officer**

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