

Audit of Financial Statements 2009/10

International Audit Standards – Management Processes

The External Auditors are required to obtain an understanding of the Authority's management processes in a number of areas. The International Auditing Standards specify the areas concerned and each one of these is listed below together with the details of the Authority's current processes to address the issues involved.

a) An assessment of the risk that financial statements may be materially mis-stated due to fraud

This has been assessed as low risk because;

- i) a control framework, provided by Financial Regulations, is in place covering:-
 - Revenue and capital expenditure
 - Budgetary control
 - Procurement and tendering processes
 - Authorisation limits on contracts and orders
 - Payments and income processes
 - Strategy for protecting public funds and assets
- ii) specific controls are exercised over the release of payments:-
 - By authorising officers
 - All payments over £30,000, BACS and cheques, are reviewed by a Service Director or Head of Service, Finance.
- iii) The final accounts process, including analytical review, substantiates the Authority's income and expenditure.
- iv) Financial Control Statements are produced monthly covering Suspense Accounts, Journal Transfers, Sales Ledger Debt, Bank Reconciliation Payroll and Adult Care Financial Services reconciliation to Care Financial System.

b) Identifying and responding to risks of fraud in the organisation

This is addressed by a number of means including:

- i) Internal Audit Work Plan and audits carried out during the financial year.
- ii) Whistleblowing Policy
- iii) Anti Fraud and Corruption Strategy
- iv) Risk Management Strategy and Risk Register

c) Communication to employees of views on business practice and ethical behaviour

Employees are made aware of these via:-

- i) the induction process
- ii) the Code of Practice for Employees
- iii) The Authority's Business Planning process
- iv) The Constitution, particularly Financial Regulations

d) Communication to those charged with governance of the processes for identifying and responding to fraud

The Audit Committee is informed by:-

- i) The review of financial regulations involving the Authority's Anti Fraud and Corruption Strategy i.e. Protecting Public Funds and Assets.
- ii) The Authority's Annual Governance Statement
- iii) Internal and External Audit Plans and Reports
- iv) The Final Accounts Memorandum and other External Audit Reports
- v) The receipt of individual Internal Audit Reports

e) Awareness of any actual or alleged instances of fraud

During the last 12 months, Internal Audit has been involved in a number of investigations but all have been low level in value and do not represent any material effect on the financial statements.

f) Compliance with laws and regulations and the potential for litigation and claims that would affect the financial statements

The Authority's Constitution provides the framework for the Council's governance arrangements and, as well as this:-

- i) The Monitoring Officer is responsible, after consultation, for reporting to full Council or Cabinet, if it is considered that any proposal, decision or omission would give rise to unlawfulness.
- ii) Legal Comments are contained in reports to Council, the Executive and Committees to advise on compliance with the policy framework and the Constitution.
- iii) The Service Director (Finance) has responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure.

iv) The Authority's overall control environment is positively regarded and aims to reduce the risk of potential litigation and claims arising. Regular Internal Audit reviews occur to ensure compliance with established controls.

v) The risk management process assesses the key risks facing the Authority and seeks to ensure that appropriate mitigating controls are in place to minimise potential litigation and claims.

vi) The Risk and Insurance Section arranges appropriate insurance cover to minimise the Authority's exposure to potentially large claims.