
Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and ‘those charged with governance’, which for the Council is the Audit Committee. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance exercises oversight of management’s processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Enquiries of management - in relation to fraud

Question	2019-20 Response	2020-21 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	<p>Low risk that financial statements are materially misstated.</p> <p>Checks and balances are built in to systems and processes.</p> <p>Professionally qualified and experienced staff administering the systems.</p> <p>Professional ethics and codes of conduct.</p> <p>Audit service providing cyclical assurance on systems including annual audits of fundamental financial systems either through full system audit or via control risk self-assessment.</p>	<p>Low risk that financial statements are materially misstated.</p> <p>Checks and balances are built in to systems and processes.</p> <p>Professionally qualified and experienced staff administering the systems.</p> <p>Professional ethics and codes of conduct.</p> <p>Audit service providing cyclical assurance on systems including annual audits of fundamental financial systems either through full system audit or via control risk self-assessment.</p>
2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?	<p>The Authority has an Anti-Fraud, Corruption and Bribery Policy setting out its stance and reporting protocols in relation to fraud.</p> <p>The work of the Internal audit service adopts a risk based approach and staff are appropriately trained / experienced to incorporate fraud awareness into their routine work.</p> <p>Fundamental financial systems are audited on an annual basis, either by full system audit or control risk self-assessment, to ensure appropriate controls are in place.</p>	<p>The Authority has an Anti-Fraud, Corruption and Bribery Policy setting out its stance and reporting protocols in relation to fraud.</p> <p>The work of the Internal audit service adopts a risk based approach and staff are appropriately trained / experienced to incorporate fraud awareness into their routine work.</p> <p>Fundamental financial systems are audited on an annual basis, either by full system audit or control risk self-assessment, to ensure appropriate controls are in place.</p>

Enquiries of management - in relation to fraud

Question	2019-20 Response	2020-21 Response
	<p>The Authority operates a whistle-blowing process to enable officers and Members to report concerns to nominated officers. This is available on the Authority's internet</p> <p>A fraud reporting facility is available via the internet and a dedicated phone line exists within the Internal Audit Service.</p> <p>Benefit and Council Tax fraud can be reported to a dedicated fraud officer within the Housing Benefits Section and a specific fraud hotline is in existence.</p>	<p>The Authority operates a whistle-blowing process to enable officers and Members to report concerns to nominated officers. This is available on the Authority's internet</p> <p>A fraud reporting facility is available via the internet and a dedicated phone line exists within the Internal Audit Service.</p> <p>Benefit and Council Tax fraud can be reported to the Housing Benefits Section and a specific fraud hotline is in existence.</p>
<p>3. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>The Authority has an Anti-Fraud, Corruption and bribery policy setting out reporting protocols for fraud. The Chief Officer – Resources has delegated this function to the Audit and Risk Manager.</p> <p>The Audit and Risk Manager reports progress on all aspects of audit work including fraud to the Audit Committee.</p> <p>The annual report of the Audit and Risk Manager is reported to the Audit Committee and includes an overview of any fraud detected during the year.</p>	<p>The Authority has an Anti-Fraud, Corruption and bribery policy setting out reporting protocols for fraud. The Chief Officer – Resources has delegated this function to the Audit and Risk Manager.</p> <p>The Audit and Risk Manager reports progress on all aspects of audit work including fraud to the Audit Committee.</p> <p>The annual report of the Audit and Risk Manager is reported to the Audit Committee and includes an overview of any fraud detected during the year.</p>
<p>4. How has management communicated expectations of ethical governance and standards of conduct and</p>	<p>Codes of conduct exist for both officers and Members. Declarations of interest are to be completed by officers and Members where appropriate</p>	<p>Codes of conduct exist for both officers and Members. Declarations of interest are to be completed by officers and Members where appropriate.</p>

Enquiries of management - in relation to fraud

Question	2019-20 Response	2020-21 Response
behaviour to all relevant parties, and when?	<p>. The Authority has a policy framework that guides officers in the standards expected in conducting Council business.</p> <p>Management reporting structures, two way communication and regular departmental / team meetings reinforce the Authority's stance. Performance Coaching & 1-2-1's on an individual officer basis.</p>	<p>The Authority has a policy framework that guides officers in the standards expected in conducting Council business.</p> <p>Management reporting structures, two way communication and regular departmental / team meetings reinforce the Authority's stance. Performance Coaching & 1-2-1's on an individual officer basis.</p>
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2020?	<p>An internal investigation into potential fraud and misappropriation at the BRC was concluded in 2019/20. The Audit Committee are to receive further details on the action plan developed to rectify the control weaknesses identified.</p> <p>Audit Wales are concluding their review of the arrangements between SVWS and the Council. A report is to be issued in the future.</p>	<p>Audit Wales have concluded their review of the arrangements between SVWS and the Council. A draft report has been issued and is currently being considered by the Council.</p>

Enquiries of those charged with governance – in relation to fraud

Question	2019-20 Response	2020-21 Response
<p>1. How does the Audit Committee, exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?</p>	<p>. The Audit Committee consider and approve policies in relation to fraud and whistle-blowing and receive updates / reviews as appropriate.</p> <p>Specific instances of fraud are reported to the Committee either as part of the regular Internal Audit Progress Report or as standalone items.</p> <p>An overview of any fraudulent activity is given in the Audit and Risk Manager's Annual Report which is also received by the Committee.</p> <p>Control weaknesses are reported to the Committee throughout the year and Members are able to call Officers to the Committee for explanations / to gain assurance.</p>	<p>The Audit Committee consider and approve policies in relation to fraud and whistle-blowing and receive updates / reviews as appropriate.</p> <p>Specific instances of fraud are reported to the Committee either as part of the regular Internal Audit Progress Report or as standalone items.</p> <p>An overview of any fraudulent activity is given in the Audit and Risk Manager's Annual Report which is also received by the Committee.</p> <p>Control weaknesses are reported to the Committee throughout the year and Members are able to call Officers to the Committee for explanations / to gain assurance.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2020?</p>	<p>An internal investigation into potential fraud and misappropriation at the BRC was concluded in 2019/20. The Audit Committee are to receive further details on the action plan developed to rectify the control weaknesses identified.</p> <p>Audit Wales are concluding their review into the arrangements between SVWS and the Council. A report is to be issued in the future.</p>	<p>Audit Wales have concluded their review into the arrangements between SVWS and the Council. The findings of the review will be considered at a future committee.</p>

Appendix 2

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance the Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the Council is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Enquiries of management – in relation to laws and regulations

Question	2019-20 Response	2020-21 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	<p>Senior Officers are professionally qualified and are required to keep abreast of legislative and regulatory changes as part of the continuous professional development requirements of their qualifications.</p> <p>Reporting protocols require consultation with both the Chief Officer – Resources and the Head of Legal and Corporate Compliance.</p>	<p>Senior Officers are professionally qualified and are required to keep abreast of legislative and regulatory changes as part of the continuous professional development requirements of their qualifications.</p> <p>Reporting protocols require consultation with both the Chief Officer – Resources and the Head of Legal and Corporate Compliance.</p>
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2020, or earlier with an ongoing impact on the 2020-21 financial statements?	No, the Audit Committee is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee if they occurred as happens in instances of noncompliance with e.g. Contract Procedure Rules.	No, the Audit Committee is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee if they occurred as happens in instances of noncompliance with e.g. Contract Procedure Rules.
3. Are there any potential litigations or claims that would affect the financial statements?	There are several ongoing litigations that could affect the financial statements. This is monitored by the Chief Officer – Resources. Where appropriate provisions have been made.	There are several ongoing litigations that could affect the financial statements. This is monitored by the Chief Officer – Resources. Where appropriate provisions have been made.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	N/A	No

Enquiries of those charged with governance – in relation to laws and regulations

Question	2019-20 Response	2020-21 Response
1. How does the Audit Committee, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	The Audit Committee receive regular reports on the work of Internal Audit which include control weaknesses identified in the Authority's processes and procedures. Members of the Audit Committee are able to call Officers to account at the Audit Committee.	The Audit Committee receive regular reports on the work of Internal Audit which include control weaknesses identified in the Authority's processes and procedures. Members of the Audit Committee are able to call Officers to account at the Audit Committee.
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	No, the Audit Committee is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee if they occurred as happens in instances of noncompliance with e.g. Contract Procedure Rules.	No, the Audit Committee is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee if they occurred as happens in instances of noncompliance with e.g. Contract Procedure Rules.

Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties

Question	2019-20 Response	2020-21 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> the identity of any related parties, including changes from the prior period; the nature of the relationships with these related parties; details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of accounting legislation.</p>	<p>The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of accounting legislation.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Statements are included in the Statement of Accounts acknowledging the relationships. The Statements are produced by experienced and qualified officers with an in depth knowledge of Council operations.</p>	<p>Disclosures are included in the Statement of Accounts acknowledging the relationships. The Accounts are produced by experienced and qualified officers with an in depth knowledge of Council operations.</p>

Enquiries of the those charged with governance – in relation to related parties

Question	2019-20 Response	2020-21 Response
1. How does the Audit Committee, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	<p>The Audit Committee receive the Statement of Accounts and seek assurances from officers regarding their accuracy.</p> <p>Members are able to challenge / query any aspect of the accounts.</p>	<p>The Audit Committee receive the Statement of Accounts and seek assurances from officers regarding their accuracy.</p> <p>Members are able to challenge / query any aspect of the accounts.</p>