

1 Capital Quarter
Tyndall Street / Stryd Tyndall
Cardiff / Caerdydd
CF10 4BZ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Joanne Absalom
Chair of the Governance and Audit Committee
Blaenau Gwent County Borough Council
Anvil Court
Church Street
Abertillery
Gwent
NP13 1DB

Reference: BGCBC/TCWG 2022-23

Date issued: 3 January 2024

Dear Joanne,

Blaenau Gwent County Borough Council 2022-23 financial statements: Audit enquiries to those charged with governance

The Auditor General's Statement of Responsibilities sets out that he is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It also sets out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both the management of Blaenau Gwent County Borough Council and 'those charged with governance' (the Governance and Audit Committee).

I have set out below the areas of governance on which I am seeking your views:

1. Matters in relation to fraud
2. Matters in relation to laws and regulations

Audit enquiries to those charges with governance. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2022-23 financial statements.

I would be grateful if you could update the attached table in [Appendix 1](#) for 2022-23.

The completed [Appendix 1](#) should be formally considered and communicated to us on behalf of both management and those charged with governance by 23 February 2024. In the meantime, if you have queries, please contact me on mike.jones@audit.wales.

Yours sincerely,

Mike Jones

Audit Manager

Audit enquiries to those charged with governance. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

Appendix 1 – Enquiries of those charged with governance

Enquiries to those charged with governance	
Question	2022-23 response
1. Do you have any knowledge of actual, suspected or alleged fraud affecting the Council?	There are a number of ongoing investigations. The Committee are kept abreast of progress through the quarterly Audit Plan Progress Report and will receive full reports on each investigation at the appropriate time.
2. What is your assessment of the risk of fraud within the Council?	<p>Risk of fraud is considered when compiling the risk-based audit plan which prioritises systems for auditing.</p> <p>The Council has a fraud policy that requires all known and suspected fraud / misappropriation to be reported to Internal Audit. The policy will be considered by the Committee when it is reviewed.</p> <p>Reports to Committees are signed off by the Chief Officer Resources (S151) and Monitoring Officer.</p>
3. How does the Audit Committee exercise oversight of: <ul style="list-style-type: none"> management's processes for identifying and responding to the risk of fraud in the Council, and the controls that management has established to mitigate these risks? 	<p>As above.</p> <p>The Committee are able to provide challenge to reports put before them and can call officers to the meeting to give account of any actions / issues as they see fit.</p>

Enquiries to those charged with governance

Question	2022-23 response
4. Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of the Council?	The Committee has not been made aware of any non-compliances.
5. What is the allocation of responsibilities between those charged with governance and management?	Management is responsible for the strategic and operational aspects of the Authority. The Committee have oversight of these arrangements in undertaking an assurance role. Managements roles and responsibilities are set out in the constitution and individual job descriptions. The Committee has a Terms of Reference setting out its role and remit.
6. Are there any matters which those charged with governance consider require particular attention during the audit?	None identified. The Committee is aware of its ability to refer matters to Audit Wales if it sees fit to do so.

Appendix 2 - Background information

Matters in relation to fraud

International Standard for Auditing (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements. This standard has been revised for 2022-23 audits.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for Blaenau Gwent County Borough 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, management's process for identifying and responding to the risks and the internal controls established to mitigate them.

Audit enquiries to those charged with governance. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

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, 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 enquiries of management and those charged with governance 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.

Matters in relation to related parties

International Standard for Auditing (UK) 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.

Audit enquiries to those charged with governance. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

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.