

**Contact:**  
Mr John Belsey Tel: 01444 458166  
[John.belsey@midsussex.gov.uk](mailto:John.belsey@midsussex.gov.uk)

**Your Ref:**  
**Our Ref:** JB/PS

**Date:**  
4 June 2019

To Kevin Suter  
Ernst and Young LLP  
UK

Dear Kevin,

### **Understanding how the Audit Committee gains assurance from management**

I am writing to you to provide the responses to the specific points raised in your letter of 18 March 2019.

1. Our oversight of management processes relies on the audit plan agreed by the Council's Management Team with the Internal Audit service and the External Auditor.
  - The plan is designed to encompass all the fundamental systems in use at the authority and check the controls within these each year, whilst also examining controls in other key systems on a rotating basis of at least every three years. The risk that the financial statements could be misstated is therefore mitigated.
  - The Committee relies on the professional opinion of the Head of Corporate Resources and the Management Team in assessing these risks. Where appropriate, further audit work could be commissioned if it was felt that there was a risk of matters being inadequately dealt with. However, the Head of Corporate Resources does advise that his assessment of these risks is low given that the Council has no housing stock, no direct works and has outsourced many elements of its operations including its Indoor Leisure business.
  - Communication to the employees regarding standards of business practice and conduct is generally left to the Management Team. Were this to prove inadequate, the Audit Committee would have to consider its role in this regard but this is not an area of concern at present.
  - Staff can raise their concerns about any aspect of the councils work, or individual behaviour, under the Whistleblowing Policy. Paragraph 2.2 covers the scope of the concerns that could be raised. The policy is advertised at every pay day and appears on the intranet.
  - This is much as points 1 and 2 above. Given the size of the authority, communication between the Committee and the Management Team presents little problem were these issues to arise.

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2. The Committee is aware that it can influence the work of Internal Audit and that if any Member has concerns the plan can be adapted to cover specific areas. We have a constructive and open relationship with both management and both internal and external audit and have dialogue with both sets of auditors outside of the committee meetings. In this way we remain satisfied that we are addressing any issues that may arise in a timely and appropriate fashion.
3. I am aware of a breach of internal control during 2018/19 in the operation of a bank account related to the Council's activities but not directly controlled by it. I have been briefed on the occurrence and the actions that have been taken subsequent to the discovery of the breach. I also understand that a criminal prosecution is pending and that an insurance claim has been made and is being considered. The audit committee will be updated by the new Chairman as these matters progress.
4. No, none that would have any bearing on fraud or financial misstatement.
5. The Audit Committee relies on the overall control framework to ensure that all relevant laws and regulations have been complied with. In the last few years we did commission a piece of work to look at the extent of existing policies and whether these were adequate. The results formed a report to the Committee and had no high priority findings. We are not aware that this situation has changed in the intervening period.
6. No.
7. The authority is in robust financial health and I have no hesitation in adopting the going concern basis.
8. I am not aware of any significant related party or associated transactions that affect the Statements or should be reported as of any concern. We have one Member that has made a disclosure but this is of limited significance.
9. No, none.

I trust that this provides the information requested to inform your audit.

Yours sincerely

A handwritten signature in blue ink, reading 'John Belsey', with a long, sweeping horizontal line extending to the right.

Councillor John Belsey  
2018-19 Chairman of the Audit Committee