

## ANNEXE B

**Contact:**

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**Your Ref:**

**Our Ref:** MP/PS

**Date:**

10 August 2020

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 3 April 2020.

1. The oversight of management processes relies on the audit plan agreed by the Council's Management Team with the Internal Audit service and by yourselves being 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 would 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 of fraud as outlined in your letter 3<sup>rd</sup> April, 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. This year, unusually, the Council has administered the Covid grant scheme and distributed circa £26m to businesses and other bodies, to a very tight timescale. Inevitably this has increased the risk of fraud but is to be the subject of its own assurance regime, separate from the EY contract.
  - 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. There is merit in ensuring that conduct and professionalism is evidenced, and the Head of Corporate Resources has been asked to introduce such a scheme such that every employee understand their responsibility in that regard.
  - Staff can raise their concerns about any aspect of the council's work, or individual behaviour, under the Whistleblowing Policy; where Paragraph 2.2 covers the scope of the

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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 Audit Committee and the Management Team presents little problem were these issues to arise.
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. Oversight of management processes is largely achieved via the Internal Audit coverage, directed by the S151 officer and influenced by the Audit Committee. 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. The Committee was briefed on the occurrence and the actions that have been taken subsequent to the discovery of the breach. I now understand that a criminal prosecution has been pursued and the perpetrator sentenced. I have also made enquiry of the Head of Corporate Resources and he of the management team and he confirms he is not aware of any breaches as set out in Paragraph 3
  4. No, none that would have any bearing on fraud or financial misstatement. As stated earlier, the Covid grant scheme was implemented at pace, but is to be subject to separate assurance.
  5. The Audit Committee relies on the overall control framework as implemented by the Head of Corporate Resources and audited by the Internal and external auditors to ensure that all relevant laws and regulations have been complied with.
  6. No, having made enquires of the Head of Corporate Resources as to question 6.
  7. I am aware that this is topical given the current pandemic and significant reduction in income in the form of sales, fees and charges for all tiers of local government. The 'income protection' scheme recently launched will greatly assist with the issue in the current financial year and the Mid Sussex District Council has robust plans to reshape the organisation in future years, and is to shortly to publish a revised Corporate Plan that will set this out in detail. The new Corporate Plan will be agreed by the Mid Sussex District Council Cabinet and ratified by full Council. On this basis, 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 that covers part of the year, but this is of limited significance.
  9. No, none. See Q 8

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

Yours sincerely

Councillor Mike Pulfer  
Chairman of the Audit Committee