

Contact:
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Your Ref:
Our Ref: jb/PS

Date:
28 June 2016

To Paul King
Ernst and Young LLP
UK

Dear Paul,

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 1st March 2016.

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 Finance 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 Finance 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. I am aware that a Purchase Ledger audit is to take place over the summer in order that a baseline level of assurance is maintained.
 - 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 within each payslip, on the annual appraisal documentation 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 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 not aware of any breaches of internal control during 2015/16. Where this has happened in the past, the Committee has received regular reports and intended management action from the S151 Officer and the Chief Executive. There have been no actual, suspected or alleged frauds in 2015/16 apart from housing benefit fraud.
4. 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. Three years ago we commissioned 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. There is no actual or potential litigation or claims that would affect the financial statements. The Personal Search claim has been settled and an accrual made to finalise a settlement of costs.
7. I do not believe this question is valid in this situation, however to comply I have examined the Medium Term Financial Plan and I have no concerns in that area.

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

Yours sincerely

Councillor John Belsey
Chairman of the Audit Committee