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Dear Helen

### **Audit of Financial Statements – Compliance with International Auditing Standards**

I am writing with reference to your letter to the Audit Committee on 18 May 2010, under the agenda item “Assurances from the Audit Committee as the body charged with Governance”, which sets out relevant assurances from those charged with governance required by external auditors under the International Auditing Standards. These assurances are provided below, representing BHCC’s formal response from those charged with governance, which, for the purposes of the financial statements, is the Audit Committee.

As in previous years, the Audit Committee have considered the nature and extent of any significant internal and external operational, financial, compliance, fraud or other risks facing the council which might have an impact on the financial statements. These risks have been addressed in both the planning process for the audit of the financial statements (where officers and auditors have discussed key risks) and, to the extent that it is necessary, in the production of the financial statements. The process for the production of the Annual Governance Statement should also mean that all key risks which would relate to the financial statements have been considered. Specific assurances are given below.

#### **How those charged with governance including the Audit Committee, exercise oversight of management's processes in relation to:**

- **undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;**

This responsibility is exercised through the effective functioning of the Audit Committee, the constitution and operation of which follows CIPFA guidelines. The CFO and Head of Audit & Business Risk (HABR) attend all meetings of the Audit Committee to discuss and review findings of Internal and External Audit reviews and the level of adequacy of management’s response. The Audit Committee also consider the Annual Governance Statement and the actions taken and proposed in relation to improving governance and controls.

The committee also reviews the Internal Audit Strategy and Annual Plan and is able to comment on areas proposed for review. The council's Corporate Risks are regularly reviewed by the committee and the council's Risk and Opportunity Management Framework ensures that fraud risk would be escalated through to the committee if appropriate. Ad-hoc meetings between the Chair and the HABR and/or CFO also take place where necessary. Roles and responsibilities of members and officers are clearly set out in Codes of Conduct, the Scheme of Delegation, Anti Fraud and Corruption Strategy and in the Risk & Opportunity Management Strategy which also describe the relevant registers, declarations and escalation processes to be complied with. The Audit Committee declares that it has no knowledge of any actual, suspected or alleged fraud that could affect the council in relation to the 2009/10 financial statements.

**• identifying and responding to risks of fraud in the organisation;**

The council has a Counter Fraud Strategy which is regularly updated and approved by the committee. The committee reviews the Internal Audit Strategy and Annual Plan, which includes the Counter Fraud Work Programme for the year. The Counter Fraud Work Programme is based on a Fraud Risk Assessment for the effective deployment of resources and includes both reactive and proactive work.

The committee receives regular updates on progress against the Counter Fraud Work Programme with any areas of suspected fraud identified, together with any necessary control measures to be implemented to mitigate the risk of further fraud. Updates are also presented on the implementation of the control improvements.

**• communication to employees of views on business practice and ethical behavior; and**

The council has published a number of documents relating to Codes of Conduct that are made available to all staff during induction and are available on the intranet. Documents include, Use of Your Position, Use of ICT Equipment and Political Neutrality.

**How the Audit Committee oversees management processes to identify and respond to possible breaches of internal control.**

The annual work programme for Internal Audit is set out in the Internal Audit Strategy and Annual Plan which is approved by the committee each year. The work plan is designed using a risk matrix to ensure all key internal control procedures are reviewed regularly. Any breaches of internal control and the management response, are reported to the committee as part of the regular updates of the Annual Plan.

**Whether you have knowledge of any actual, suspected or alleged frauds**

I am not aware of any actual, suspected or alleged frauds other than those reported to the committee as part of the regular updates on the Counter Fraud Work Programme.

**How you gain assurance that all relevant laws and regulations have been complied with.**

The Audit Committee declares that it has no knowledge of and is not on notice of any non-compliance with laws and regulations that could impact on the 2009/10 financial statements

Yours sincerely,

Leslie Hamilton  
Chair of the Audit Committee

