

## Appendix 2

## Response from Audit Committee Chair 2020/21

## Fraud risk assessment

Auditor Question	Response
Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?	Yes
What are the results of this process?	No material risk identified as there is a reconciliation between the management accounts reported to Resources Committee and the financial accounts presented to Audit Committee.
What processes does the Authority have in place to identify and respond to risks of fraud?	Quarterly check for duplicate AP transactions. Participation in the NFI exercise. We have whistle blowing and anti fraud policies. Internal audit reviews.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	No
Are internal controls, including segregation of duties, in place and operating effectively?	Yes Review by Internal and External Audit Reported in the Annual Governance Statement
If not, where are the risk areas and what mitigating actions have been taken?	n/a
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	No
Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	No
How does the Authority exercise oversight over management's processes for identifying and responding to risks of fraud?	Updated corporate risk register is presented at each Audit Committee, NFI update report taken to Audit Committee when completed.

What arrangements are in place to report fraud issues and risks affecting the authority?	Updated corporate risk register is presented at each Audit Committee, NFI update report taken to Audit Committee when completed.  In the event of a fraud occurring, Audit Committee would be informed and kept updated.
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	Agreed set of values includes trust and integrity. Employee code of conduct. Code of Corporate Governance. Contractor terms and conditions.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	Whistle blowing and anti fraud policies available for all staff  No
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No, the only significant related party relates to Treasurer whose wife is Treasurer at Blackburn with Darwen Council, as detailed in the accounts Related Party Transaction note. Note in April 2021 Mrs Mattinson is moving to become the Treasurer at Chorley & South Ribble Borough Council.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority as a whole or within specific departments since 1 April 2020?	We are still reviewing matches identified as part of the current NFI process – and will update in due course.

## Law and regulation

Auditor Question	Response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	In addition to the Anti-Fraud and Whistleblowing policies referred to earlier, all Committee reports are reviewed by the Clerk to the Authority and the Treasurer to the Authority to ensure compliance with legal and financial regulations.
How does management gain assurance that all relevant laws and regulations have been complied with?	As above.
How is the Authority provided with assurance that all relevant laws and regulations have been complied with?	As above.

Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2020?	No
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	Year-end process to identify contingent liabilities/outstanding litigation and claims  On-going DFM monitoring arrangements  Discussion with Clerk/Solicitor
Is there any actual or potential litigation or claims that would affect the financial statements?	Backdated pensions – 1920 accrual going back to 1314? We have not yet reached agreement in respect of pensionability of allowances, therefore it is not yet known if the accrual should be done further than 2013/14.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No

### Going Concern

<b>Auditor Question</b>	<b>Response</b>
How will the Authority Board / Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the 2020/21 financial statements?	<p>The Treasurer was able to set a balanced budget for 2021/22, and financial modelling suggests the Authority will be able to meet its obligations for the foreseeable future.</p> <p>There are no significant doubts around the forward planning for 2021/22.</p> <p>The Authority has healthy reserve balances, and is anticipating an underspend position for 2020/21.</p> <p>We are expecting a further £0.225m instalment of S31 Covid grant in early April 2021.</p>