

1 June 2009

Mrs E Mallinson  
Chair of the Audit Commission  
Carlisle City Council  
Civic Centre  
Carlisle  
CA3 8QC

Direct line 0844 7984759

Dear Mrs Mallinson

## COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

This is a request for your assistance as Chair of the Audit Committee with our current work on the Council's accounts for 2008/09.

In order to comply with International Standard on Auditing (UK&I)240 we are required to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. I should be grateful if you would confirm:

- (i) how the Audit Committee oversees management processes to identify and respond to such risks, and
- (ii) whether you have knowledge of any actual, suspected or alleged frauds affecting the Council.

Management's processes include:

- Undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud;
- Identifying and responding to risks of fraud in the organisation;
- Communication to employees of views on business practice and ethical behavior; and
- Communication to those charged with governance the processes for identifying and responding to fraud.

A second International Standard on Auditing (ISA(UK&I)250) requires that auditors understand how those charged with governance gain assurance that all relevant laws and regulations have been complied with.

A brief response by letter (or email), by the end of June will suffice. Please call me if you wish to discuss anything in relation to this request.

Yours sincerely

Gina Martlew  
*Audit Manager*

## AUDIT COMMITTEE

### COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

#### RESPONSE TO GINA MARTLEW'S LETTER 1<sup>ST</sup> JUNE 2009

The Authority has the following documents/procedures that are readily available to all staff (on the Intranet) –

- Counter Fraud Policy
- Confidential Reporting (“Whistle-blowing”)
- Fraud, Theft and Corruption Response Plan.
- Anti-fraud Strategy for Benefits (There are 2.5 Benefits Investigation Officers located in Benefits Services).

The existence and location of these procedures have been brought to the attention of all managers and staff, both by means of e-mails from the Head of Audit Services, and by presentations at the monthly Management Briefings.

The Head of Audit Services also gave a presentation to the April 2009 Management Briefing relating to the results of the Audit Commission’s “Changing Organisational Culture : Fraud Awareness Survey” and “Ethical Governance Diagnostic Survey for Members and Officers”. The results of these surveys were brought to the attention of the Audit Committee on 8<sup>th</sup> April 2009 – reports CORP4/09 and CORP 7/09 refer. The Action Plans arising from this Survey have also been brought to the attention of all managers.

In respect of the Ethical Governance Survey, the responses from Members fell short of the average for other Councils in all four areas (Balancing Rules and Trust; Independent Overview; Leadership; Transparency). Officers’ responses were, however, better than the average in two areas – Independent Overview and Leadership.

In respect of the Fraud Awareness Survey, it was noted that Carlisle’s staff demonstrated a slightly higher than average level of awareness of counter fraud and corruption arrangements when compared to other Councils – we were below average only on Personnel Issues.

The Head of Audit Services prepares, on an annual basis, a Strategic Audit Plan that is prepared by reference to the Corporate and Operational Risk Registers. This is agreed by the Senior Management Team, and presented to the Audit Committee, and subsequently to the Council, for ratification.

Progress on the Corporate Risk Register is reported to the Audit Committee on a regular basis.

The results (final reports) of all reviews are presented to the Audit Committee at each meeting.

All recommendations for improvement to controls are followed up by Audit Services, and any failure to implement such recommendations is reported to the Audit Committee for information and action.

All Audit staff are aware of the possibility of fraud when undertaking their individual reviews, and any suspected instance of this would be investigated promptly.

Other than frauds relating to housing benefit, there has been a single fraud investigated during the past year – this related to the fraudulent mis-use of the Authority's housing benefit system by an (ex) employee who was subsequently prosecuted.

A discussion has been held with the Head of Revenues and Benefits Services, and it has been agreed that a section will be added into the Head of Audit Services' progress reports, to each meeting of the Audit Committee, updating Members on fraud investigations.

Cllr. E. Mallinson  
Chairman of the Audit Committee  
17<sup>th</sup> June 09

Audit Committee 22<sup>nd</sup> June 2009.