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| Council name | COTSWOLD DISTRICT COUNCIL |
| Name and date of Committee | AUDIT COMMITTEE – 29 SEPTEMBER 2022 |
| Report Number | AGENDA ITEM 7 |
| Subject | INFORMING THE AUDIT RISK ASSESSMENT – EXTERNAL AUDIT ASSURANCE |
| Wards affected | All |
| Accountable member | Cllr. Mike Evely Deputy Leader and Cabinet Member for Finance |
| Accountable officer | Jo Moore, Interim Deputy Chief Executive and Chief Finance Officer Jo.moore@cotswold.gov.uk |
| Summary/Purpose | To consider proposed management responses to the external's auditor's questions to inform their assessment of risk to underpin the audit of the accounts for the year ended 31 March 2022. |
| Annexes | Annex A – Informing the audit risk assessment for Cotswold District Council 2021/22 Annex B – Accounting estimate management summary – Cotswold District Council 2021/22 |
| Recommendation(s) | <i>a) That the Committee confirm their understanding and agreement with the responses provided by management to the auditors in Annex A. b) That the Committee are also asked to confirm their understanding and agreement with the approach to estimates set out in Annex B c) If any Committee members have any further comments or observations in respect of any of the areas set out in either documents, they should make them known to the auditors</i> |
| Corporate priorities | Ensuring that all services delivered by the Council are delivered to the highest standard |
| Key Decision | NO |
| Exempt | NO |
| Consultees/ Consultation | Chief Finance Officer, Monitoring Officer, Chief Executive, Counter Fraud Manager, SWAP Internal Audit |



1. BACKGROUND

- 1.1 Each year, the Council's external auditor is 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. In addition, auditors need to understand how those charged with governance gain assurance that the Council complies with all relevant laws and regulations.
- 1.2 Auditing standard ISA (UK) 540 (Auditing Accounting Estimates and Related Disclosures) requires auditors to understand and assess an entity's internal controls in respect of accounting estimates, including ensuring that those charged with governance can satisfy itself that arrangements for accounting estimates are adequate. Annex B includes a number of detailed questions in respect of management's methods, assumptions and controls in respect of material accounting estimates included in the accounts.
- 1.3 Attached as **Annexes A and B** are the Council's proposed response to the questions posed to the Council by the external auditor, Grant Thornton LLP.

2. MAIN POINTS

- 2.1 Each year, ahead of the commencement of the external audit fieldwork, the external auditor will seek certain information to inform their assessment of risk and to act as a two-way communication with those charged with governance. For CDC this is the Audit Committee.
- 2.2 The external auditor will be seeking to understand how the Audit Committee gains assurance on matters such as fraud, breaches of internal control, compliance with laws and regulations and accounting estimates.
- 2.3 In order to do this, Grant Thornton will seek responses to certain questions raised in their "Informing the Audit Risk Assessment" template. Draft management responses to the questions raised for the year ended 31 March 2022 are now attached at Annex A.
- 2.4 The external auditor will also need to update their understanding of key accounting estimates made in the 2021/22 statutory accounts and, again, will seek management responses to a series of questions in this regard.
- 2.5 The Committee are asked to confirm their understanding and agreement with the responses provided by management to the auditors in both Annexes A and B. Should any members have any further comments or observations in respect of any areas included in either document, they are asked to make this known to the auditors.



3. FINANCIAL IMPLICATIONS

3.1 None directly arising from this report

4. LEGAL IMPLICATIONS

4.1 None directly arising from this report.

5. RISK ASSESSMENT

5.1 None

6. EQUALITIES IMPACT

6.1 None directly arising from this report.

7. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

7.1 None directly arising from this report.

8. BACKGROUND PAPERS

8.1 None