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Mr Chris Moore
Director of Corporate Services
Carmarthenshire County Council
County Hall
Carmarthen
SA31 1JP

Dear Chris

Carmarthenshire County Council 2021-22

Audit enquiries to those charged with governance and management

As you will be aware I am required to conduct my financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs I am writing to you to formally seek your documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the Council's management and 'those charged with governance'

I have set out below the areas of governance on which I am seeking your views.

1. Management processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
 - identifying and responding to risks of fraud in the organisation;
 - communication to employees of views on business practice and ethical behaviour; and
 - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.

5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2021-22 financial statements.

I have included your responses for 2020-21 in Appendix 1 and would be grateful if you could update these to reflect your current arrangements. Could you please provide this information on behalf of both management and those charged with governance by 31 August 2022. In the meantime, if you have queries, please contact me on 07789397018

Yours sincerely

Richard Harries
Engagement Lead

Appendix A

International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’, which for the Council is the Audit Committee. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Council exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA? The ISA views fraud as either:

- the intentional misappropriation of the Council’s assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and the Audit Committee:

Enquiries of management		
Question	2021-22 Response	2020-21 Response
1) What is management’s assessment of the risk that the financial statements may be materially misstated due to	It is management’s opinion that the risk of material misstatement of the financial	It is management’s opinion that the risk of material misstatement of the financial

<p>fraud and what are the principle reasons?</p>	<p>statements due to fraud are low due to the checks and controls that are in place. The Authority has an adequate and effective control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of "Benefit Fraud", which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud. The Authority's Anti Fraud and Anti Corruption Strategy has been updated and was approved by the Audit Committee in October 2020 is available on the Authority's Intranet. The Anti Fraud and Anti Corruption Annual report was received and accepted by the Committee in September 2022. Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of the potential for fraud in relation to all systems under review. All Internal Audit</p>	<p>statements due to fraud are low due to the checks and controls that are in place. The Authority has an adequate and effective control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of "Benefit Fraud", which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud. The Authority's Anti Fraud and Anti Corruption Strategy has been updated and was approved by Audit Committee in October 2020 and is available on the Authority's Intranet. Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of the potential for fraud in relation to all systems under review. All Internal Audit staff have received Fraud awareness training. The Authority participates in the "National Fraud Initiative", where data on Payroll,</p>
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	<p>staff have received Fraud awareness training.</p> <p>The Authority participates in the "National Fraud Initiative", where data on Payroll, Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues are matched nationally to identify potential individual frauds. The exercise reviewing data nationally across Local Authorities and other Public Sector Organisations was completed during 2021/2022.</p> <p>Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority. Internal Audit plan their work using risk assessment principles and taking into account changes in services. The adoption of a three year rolling programme provides assurance of the adequacy of audit coverage and allows the flexibility to deal with changes to systems within the Authority.</p> <p>During Autumn 2020, Fraud and Cyber Awareness training was provided by Dyfed Powys police for CMT, Executive Board Members and some Revenues & Financial Compliance staff. Internal Audit continues to provide training to a range of staff.</p>	<p>Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues are matched nationally to identify potential individual frauds. The exercise reviewing data nationally across Local Authorities and other Public Sector Organisations was completed during 2018/2019 and this year's exercise is currently underway.</p> <p>Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority. Internal Audit plan their work using risk assessment principles and taking into account changes in services. The adoption of a three year rolling programme provides assurance of the adequacy of audit coverage and allows the flexibility to deal with changes to systems within the Authority.</p> <p>During Autumn 2020, Fraud and Cyber Awareness training was provided by Dyfed Powys police for CMT, Executive Board Members and some Revenues & Financial Compliance staff. Internal Audit continues to provide training to a range of staff.</p> <p>Processes implemented to enable remote working have continued to operate securely and officers have reviewed their</p>
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	<p>Processes implemented to enable remote working have continued to operate securely and officers have reviewed their effectiveness following an implementation period.</p> <p>We are aware of a small number of either attempted/perpetrated fraud incidents. These are all of values below trivial and would not lead to misstatement. Further details can be found in the Anti Fraud and Anti Corruption Annual report presented to the Governance and Audit Committee on 30 September 2022.</p>	<p>effectiveness following an implementation period.</p> <p>We are aware of a small number of either attempted/perpetrated fraud incidents. These are all of values below trivial and would not lead to misstatement. Further details can be found in the Anti Fraud and Anti Corruption Annual report presented to the Governance and Audit Committee on 16 July 2021</p>
<p>2) How can management assure the Audit Committee that it has not been inappropriately influenced by external pressures?</p>	<p>There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members.</p> <p>In September 2020, the Governance and Audit Committee received and approved updated Contract Procedure Rules and Financial Procedure Rules. These were further amended and approved in September 2022.</p>	<p>There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members.</p> <p>In September 2020, the Governance and Audit Committee received and approved updated Contract Procedure Rules and Financial Procedure Rules.</p> <p>The committee have received separate fraud and accounts training during the year</p>

	<p>The committee have received separate fraud and accounts training during the year as well as sessions conducted by Audit Wales in previous years too.</p>	<p>as well as sessions conducted by the Wales Audit Office in previous years too.</p>
<p>3) Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?</p>	<p>Following a decade of public sector austerity measures, there remains a constant challenge to set, and subsequently meet, revenue and capital budgets. It is a key requirement of the Section 151 Officer to put forward a balanced budget for approval by County Council. Leading up to his Report to County Council, there is effective consultation with Elected Members, Officers and the public to set priorities and cost the implications of any proposals. Public consultation over the last year was adversely impacted by both COVID-19 restrictions combined with the compressed budget timetable owing to the late WG settlement dates. Elected Members, staff and the public have been kept fully abreast of the developments on the financial position of the Authority throughout the budget setting process, and established reporting systems are in place to ensure that budgets are monitored during the year. Decisions have had to be made in respect of prioritisation of services and the inclusion of budget reductions in order to achieve a</p>	<p>Following a decade of public sector austerity measures, there remains a constant challenge to set, and subsequently meet, revenue and capital budgets. It is a key requirement of the Section 151 Officer to put forward a balanced budget for approval by County Council. Leading up to his Report to County Council, there is effective consultation with Elected Members, Officers and the public to set priorities and cost the implications of any proposals. Public consultation over the last year was adversely impacted by both COVID-19 restrictions combined with the compressed budget timetable owing to the late WG settlement dates. Elected Members, staff and the public have been kept fully abreast of the developments on the financial position of the Authority throughout the budget setting process, and established reporting systems are in place to ensure that budgets are monitored during the year. Decisions have had to be made in respect of prioritisation of services and the inclusion of budget reductions in order to achieve a</p>

	<p>balanced budget with an acceptable Council Tax increase.</p> <p>The COVID-19 hardship additional expenditure and income loss claims process set up by WG continued to be available to all local authorities in 2021-22, providing c. £20m of additional support. This mechanism ceased at the end of the financial year, and was mitigated through a £3m contingency budget allocated in the 2022-23 budget.</p>	<p>balanced budget with an acceptable Council Tax increase.</p> <p>The COVID-19 hardship additional expenditure and income loss claims process set up by WG and available to all local authorities has provided a vital financial lifeline, with the combined pressure in 2020-21 far exceeding £30m. Whilst this mechanism remains in place for the remainder of the financial year, with a clear message from WG that any pressures from 2022/23 and beyond must be met from within Local Authority Core budgets.</p>
<p>4) What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority.</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of “Benefit Fraud”, which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud.</p> <p>Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of</p>	<p>Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority.</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of “Benefit Fraud”, which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud.</p> <p>Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of</p>

	<p>the potential for fraud in relation to all systems under review. All Internal Audit staff have received Fraud awareness training.</p>	<p>the potential for fraud in relation to all systems under review. All Internal Audit staff have received Fraud awareness training.</p>
<p>5) How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p>	<p>The Authority's updated Anti Fraud and Anti Corruption Strategy was approved by Audit Committee in October 2020.</p> <p>The Authority has a whistleblowing policy and updated its Code of Conduct for Members and Staff in May 2021. Following County Council elections in May 2022, training was held for all members on Code of Conduct, Ethics, Standards, Legal Duties and Responsibilities.</p> <p>All staff are required to make an annual declaration of personal interests and are reminded of the Officers code of Conduct,</p> <p>In September 2020, the Governance and Audit Committee received and approved updated Contract Procedure Rules and Financial Procedure Rules, which were further updated and approved in September 2022. These updates have been communicated to Officers.</p>	<p>The Authority's updated Anti Fraud and Anti Corruption Strategy was approved by Audit Committee in October 2020.</p> <p>The Authority has a whistleblowing policy and updated its Code of Conduct for Members and Staff in May 2021.</p> <p>All staff are required to make an annual declaration of personal interests and are reminded of the Officers code of Conduct,</p> <p>In September 2020, the Governance and Audit Committee received and approved updated Contract Procedure Rules and Financial Procedure Rules. These updates have been communicated to Officers.</p>
<p>6) What arrangements are in place to report about fraud to those charged with governance?</p>	<p>The Annual Report from the designated Head of Audit to Audit Committee provides an opportunity to summarise issues relating</p>	<p>The Annual Report from the designated Head of Audit to Audit Committee provides an opportunity to summarise issues relating</p>

	<p>to fraud or to report any individual cases which have reached a conclusion. Any significant case of fraud concluding during the year could form a separate Agenda Item to appraise the Committee of the facts of the individual case and advise of the control measures either already put in place or to be put in place to minimise the risk of any recurrence.</p> <p>The authority produced an annual Anti-Fraud and Corruption Report covering the financial year 2021-22, which was presented to the Governance and Audit Committee in September 2022. The Authority has a zero tolerance stance to all forms of fraud, corruption and theft, both from within the organisation and from external sources.</p> <p>The Anti-Fraud and Anti-Corruption Report provides a summary of the activities of the Council's Anti-Fraud functions for the financial year.</p>	<p>to fraud or to report any individual cases which have reached a conclusion. Any significant case of fraud concluding during the year could form a separate Agenda Item to appraise the Committee of the facts of the individual case and advise of the control measures either already put in place or to be put in place to minimise the risk of any recurrence.</p> <p>The authority has introduced an annual Anti-Fraud and Corruption Report, which was presented to the Governance and Audit Committee in July 2021. The Authority has a zero tolerance stance to all forms of fraud, corruption and theft, both from within the organisation and from external sources.</p> <p>The Anti-Fraud and Anti-Corruption Report provides a summary of the activities of the Council's Anti-Fraud functions for the financial year.</p>
Enquiries of those charged with governance		
Question	2021-22 Response	2020-21 Response
1) How do those charged with governance, exercise oversight of management's processes for identifying and	The Anti Fraud and Anti Corruption Strategy 2020-2025 approved by Audit Committee in October 2020. The Strategy sets out the	The Anti Fraud and Anti Corruption Strategy 2020-2025 approved by Audit Committee in October 2020. The Strategy sets out the

<p>responding to the risks of fraud within the Council and the internal control that management has established to mitigate those risks?</p>	<p>Framework for detecting and dealing with fraud matters within the Council. Regular Audit Plan updates to Audit Committee, and reports on control issue identified during audits.</p>	<p>Framework for detecting and dealing with fraud matters within the Council. Regular Audit Plan updates to Audit Committee, and reports on control issue identified during audits.</p>
<p>2) Have those charged with governance knowledge of any actual, suspected or alleged fraud since 1 April 2021?</p>	<p>Audit Committee is a public meeting so individual cases of “suspected fraud” cannot be discussed in such a forum. The Chair and Vice Chair of Audit Committee are provided with greater detail and day to day access to the Internal Audit Management Team. Details of suspected fraud would be shared “informally” with the Chair and Vice Chair i.e. outside of the Formal Committee Meeting.</p>	<p>Audit Committee is a public meeting so individual cases of “suspected fraud” cannot be discussed in such a forum. The Chair and Vice Chair of Audit Committee are provided with greater detail and day to day access to the Internal Audit Management Team. Details of suspected fraud would be shared “informally” with the Chair and Vice Chair i.e. outside of the Formal Committee Meeting.</p>
<p>3) Have those charged with governance any suspicion that fraud may be occurring within the organisation?</p>	<p>All Members and employees have a responsibility to report Fraud and Corruption when they become aware of it. Under Financial Procedure Rules any suspected case of fraud or corruption by any officer or member must be reported to the Head of Revenues ^ Financial Compliance. Carmarthenshire County Council has a “Whistleblowing policy”, managed by the Monitoring officer. This policy enables employees to raise concerns and also safeguard their interests in line with the Public Interest Disclosure Act 1998. Staff and the public are able to report suspected Benefit Fraud including Housing and Council Tax Benefit fraud through the dedicated “Fraud Hotline”.</p>	<p>All Members and employees have a responsibility to report Fraud and Corruption when they become aware of it. Under Financial Procedure Rules any suspected case of fraud or corruption by any officer or member must be reported to the Head of Revenues ^ Financial Compliance. Carmarthenshire County Council has a “Whistleblowing policy”, managed by the Monitoring officer. This policy enables employees to raise concerns and also safeguard their interests in line with the Public Interest Disclosure Act 1998. Staff and the public are able to report suspected Benefit Fraud including Housing and Council Tax Benefit fraud through the dedicated “Fraud Hotline”.</p>

<p>4) Are those charged with governance satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details. If 'no' what are the risk areas?</p>	<p>Yes Regular Audit Plan updates to Audit Committee, and proposed coverage for coming financial years. Reports on control issue identified during audits.</p>	<p>Yes Regular Audit Plan updates to Audit Committee, and proposed coverage for coming financial years. Reports on control issue identified during audits.</p>
<p>5) How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?</p>	<p>A revised Whistleblowing policy was approved by the Authority's Standards Committee in June 2022. It sets out a working environment where Staff can feel confident to raise any concerns about malpractice within the Council. Malpractice can include fraud, corruption, bribery, dishonesty, financial irregularities, serious maladministration because of deliberate and improper conduct, unethical activities (which may be of a criminal nature) and dangerous acts or omissions which create a risk to health, safety or the environment, criminal offences, or failure to comply with a legal or regulatory obligation.</p> <p>The Whistleblowing Procedure is regularly monitored by a Whistleblowing Group and annual reports regarding whistleblowing are submitted to Standards Committee</p>	<p>An updated Whistleblowing policy was approved by the Authority's Standards Committee in July 2021. It sets out a working environment where Staff can feel confident to raise any concerns about malpractice within the Council. Malpractice can include fraud, corruption, bribery, dishonesty, financial irregularities, serious maladministration because of deliberate and improper conduct, unethical activities (which may be of a criminal nature) and dangerous acts or omissions which create a risk to health, safety or the environment, criminal offences, or failure to comply with a legal or regulatory obligation.</p> <p>The Whistleblowing Procedure is regularly monitored by a Whistleblowing Group and annual reports regarding whistleblowing are submitted to Standards Committee</p>
<p>6) From a fraud and corruption perspective, what are considered by those charged with governance to be high risk posts within the organisation and how are the risks relating to these posts</p>	<p>The Audit Committee rely on both Internal Audit and External Audit to undertake an ongoing comprehensive review of the Authority. Individuals controlling large amounts of money / cash or managing high value or attractive assets will naturally be seen as higher risk albeit controls should be</p>	<p>The Audit Committee rely on both Internal Audit and External Audit to undertake an ongoing comprehensive review of the Authority. Individuals controlling large amounts of money / cash or managing high value or attractive assets will naturally be seen as higher risk albeit controls should be</p>

<p>identified, assessed and managed?</p>	<p>more secure to prevent any abuse. The Internal Audit Plan is compiled using a Risk Based Approach which takes in to account issues such as value, nature of transaction, past problems etc</p>	<p>more secure to prevent any abuse. The Internal Audit Plan is compiled using a Risk Based Approach which takes in to account issues such as value, nature of transaction, past problems etc</p>
<p>7) Are those charged with governance aware of any related party relationships or transactions that could give rise to instances of fraud and how does they mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>All Related Party Transactions are disclosed in the statement of Accounts as confirmed in the letter of representation.</p>	<p>All Related Party Transactions are disclosed in the statement of Accounts as confirmed in the letter of representation.</p>
<p>8) Are those charged with governance aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?·</p>	<p>No – the Letter of representation confirms that the financial statements are free of material misstatements, including omissions</p>	<p>No – the Letter of representation confirms that the financial statements are free of material misstatements, including omissions</p>
<p>9) Are those charged with governance aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?</p>	<p>All Elected Members sit on Full Council and various scrutiny committees and have had the opportunity to participate in virtual members as well. This has kept members abreast of, and consulted upon the financial outlook and budget setting. Public consultation was undertaken as far as was possible during the budget setting and specifically on the budget Savings proposals. In addition the External Voting Member is fully aware of the need to meet</p>	<p>All Elected Members sit on Full Council and various scrutiny committees and have had the opportunity to participate in virtual members as well. This has kept members abreast of, and consulted upon the financial outlook and budget setting. Public consultation was undertaken as far as was possible during the budget setting and specifically on the budget Savings proposals. In addition the External Voting Member is fully aware of the need to meet</p>

	revenue and capital budgets or other constraints.	revenue and capital budgets or other constraints.
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International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements

Background

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non compliance rests with management and 'those charged with governance', which for the Council is the Audit Committee. The ISA requires us, as external auditors, to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management and the Audit Committee:

Enquiries of management		
Question	2021-22 Response	2020-21 Response
1) How have you gained assurance that all relevant laws and regulations have been complied with?	Code of Practice on Local Authority Accounting 2020/21, LAAP Bulletins reviewed, CIPFA/IPF training Courses. Audit Wales findings, Wales Chief Accountants Working Group, Specialist advice from Treasury Management Advisors. Technical Working group guidance on COVID19 Agency/Principal grant treatment.	Code of Practice on Local Authority Accounting 2020/21, LAAP Bulletins reviewed, CIPFA/IPF training Courses. Audit Wales findings, Wales Chief Accountants Working Group, Specialist advice from Treasury Management Advisors. Technical Working group guidance on COVID19 Agency/Principal grant treatment.
2) Are there any potential litigations or claims that would	Yes – a small number of employment tribunal cases as included in the Contingent	Yes – a small number of employment tribunal cases as included in the Contingent

affect the financial statements?	liability note included in the statement of accounts	liability note included in the statement of accounts
Enquiries of those charged with governance		
Question	2021-22 Response	2020-21 Response
1) Have those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	Reliance on Internal Audit, Monitoring Officer, Section 151 Officer, Letter of representation and Audit Wales feedback	Reliance on Internal Audit, Monitoring Officer, Section 151 Officer, Letter of representation and Audit Wales feedback
2) Are those charged with governance aware of any non-compliance with relevant laws and regulations?	No	No
3) If there have been instances of non-compliance what are they, and what oversight have those charged with governance had to ensure that action taken by management to address and gaps in control?	No	No

International Standard for Auditing (UK and Ireland) 550 – Related parties

Background

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.
- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

As related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework. We are therefore making requests from both management and the Audit Committee:

Enquiries of management		
Question	2021-22 Response	2020-21 Response
1) What controls are in place to identify, authorise, approve, account for and disclose	Enquires made of relevant officers and members for details of any potential related	Enquires made of relevant officers and members for details of any potential related

related party transactions and relationships?	party transactions. Evidence subjected to audit by Audit Wales. Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed.	party transactions. Evidence subjected to audit by WAO. Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed.
2) Confirm that you have: <ul style="list-style-type: none"> disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework. 	Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed	Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed
Enquiries of those charged with governance		
Question	2021-22 Response	2020-21 Response
1) How do those charged with governance exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	Disclosure made in the statement of Accounts which is approved by the Audit Committee, Letter of Representations and feedback from WAO.	Disclosure made in the statement of Accounts which is approved by the Audit Committee, Letter of Representations and feedback from WAO.