

Our Ref SWINDON BC

Councillor Steve Weisinger
Chair of the Audit Committee
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28 January 2014

Dear Councillor Weisinger

Swindon Borough Council Financial Statements for the year ending 31 March 2014

Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, we need to establish an understanding of how the Audit Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as member of the Council and Audit Committee Chair with your responses to the following questions:

- 1 How does the Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds within the Council? If so, please provide details.
- 3 Do you have knowledge of any actual, suspected or alleged frauds within the Council's subsidiary companies - Swindon Commercial Services, Forward Swindon and Thamesdown Transport? If so, please provide details. Do you have any views on the risks of fraud within the subsidiaries?
- 4 How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 5 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

Chartered Accountants

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These can be answered by responding to the detailed questions which are included on the attached appendix to this letter. I would be grateful if you could complete this schedule and return it to me by 30 April 2014.

For information, we are also required to make enquiries of management and we recently sent a letter and schedule of questions to the S151 Officer, Stuart McKellar.

We suggest that it would be useful to co-ordinate both the Audit Committee and management responses in time for discussion at the audit committee meeting on 15th April 2014.

As always, please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Your sincerely,

A handwritten signature in cursive script that reads "Elizabeth Cave".

Elizabeth Cave
Director
For Grant Thornton UK LLP

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APPENDIX

Response from Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	
What are the results of this process?	
What processes does the Council have in place to identify and respond to risks of fraud?	
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
Are internal controls, including segregation of duties, in place and operating effectively?	
If not, where are the risk areas and what mitigating actions have been taken?	
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)?	
Are there any areas where there is a potential for misreporting?	
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	
What arrangements are in place to report fraud issues and risks to the Audit Committee?	
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	
How does the Audit Committee encourage staff to report their concerns about fraud? Have any significant issues been reported?	
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2013? Are you aware of any instances of actual, suspected or alleged fraud at the Council's subsidiaries since 1 April 2013?	

Do you have any views on the risks of fraud at the Council's subsidiaries?	
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Law and regulation

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	
How does management gain assurance that all relevant laws and regulations have been complied with?	
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013?	
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	
Is there any actual or potential litigation or claims that would affect the financial statements?	
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	