



Our reference MS/JA

25 June 2009

Councillor Kenneth Turner
Audit Committee Chair
West Midlands Fire & Rescue Authority
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— Dear Councillor Turner

Audit Committee responsibility for preventing and detecting fraud

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

International Standard for Auditing (UK and Ireland) 240 *The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements* requires the external auditor to obtain an understanding of how the Committee exercises oversight of management's processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Under the Standard, the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which we consider to mean the Audit Committee (acting on behalf of the Executive Committee). The Standard views fraud in two ways, as either:

- the intentional misappropriation of the Trusts assets (cash, property, etc.); and
- the intentional manipulation or misstatement of the financial statements.

The Standard requires the external auditor to obtain written representations to properly discharge their responsibilities under ISA+240. We are also making similar enquiries of management and Internal Audit.

In this context, I would be grateful for your responses, on the Committee's behalf, on the following issues:

- How does the Committee assess the risk that the financial statements may be materially misstated due to fraud?

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Agenda Item 9

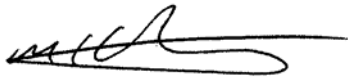
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- Is the Committee aware of the management's process for identifying and responding to the risks of fraud generally and specific risks of misstatement in the financial statements?
- Is the Committee aware of the arrangements in place for management to report about fraud to the Committee?
- Is the Committee aware of the arrangements management have in place, if any, for communicating with employees, Members', partners and stakeholders regarding ethical governance and standards of conduct and behaviour?
- Does the Committee have knowledge of actual or suspected fraud, and if so is it aware of what actions management is taking to address it?
- What arrangements are in place for the Committee to oversee management arrangements for identifying and responding to the risks of fraud and the establishment of internal control?

The information you provide will inform our understanding of the Trust and its business processes, helping us to plan audit work that is the most appropriate to enable an opinion to be given on your financial statements.

We recognise the limitations on Members' time, but if at all possible a prompt response would be most useful. In the meantime, if you have any queries, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Stocks', written over a thin red horizontal line.

Mark Stocks
District Auditor