

24 April 2012

Councillor David Wilmshurst
Chair of the Audit Committee
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

— Dear David

Audit of Oxfordshire County Council and Oxfordshire Pension Fund Financial Statements for the year end 31 March 2012
Understanding how the Audit Committee gains assurance from management

I have a good understanding of how the Audit Committee as those charged with governance gains assurance over management processes and arrangements. This enables me to deliver an efficient audit, reducing the time your staff need to spend responding to auditor queries.

However, auditing standards require me to formally update my understanding annually. Therefore, I am writing to ask that you please provide a response to the following questions. Where your response to questions 2 to 5 is 'yes', please provide details.

1) How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in Oxfordshire County Council and Oxfordshire Pension Fund, 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 view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Oxfordshire County Council's code of conduct); and
- communicating to you the processes for identifying and responding to fraud or error.

- 2) How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2011-12?
- 3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2011-12?
- 4) Are you aware of any actual or potential litigation or claims that would affect the financial statements?
- 5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Oxfordshire County Council's ability to continue as a going concern? Have you identified any events which may cast significant doubt on the Oxfordshire Pension Fund's ability to continue as a going concern?

In addition to the above questions about how you gain assurance from management, I have included at Appendix 1, 8 questions about your views on fraud. Your responses will inform my assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work I undertake.

Please provide a response by July 2012 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Maria Grindley
District Auditor

Appendix 1

No.	Questions for those charged with governance.	Those charged with governance response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 – 31 March 2012?	
2	<p>Do you suspect fraud may be occurring within Oxfordshire County Council or Oxfordshire Pension Fund?</p> <ul style="list-style-type: none"> ➤ Have you identified any specific fraud risks within Oxfordshire County Council or Oxfordshire Pension Fund? ➤ Do you have any concerns that there are areas within Oxfordshire County Council or Oxfordshire Pension Fund that are at risk of fraud? ➤ Are there particular locations within Oxfordshire County Council or Oxfordshire Pension Fund where fraud is more likely to occur? 	
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> ➤ If not where are the risk areas? ➤ What other controls are in place to help prevent, deter or detect fraud? 	
4	<p>How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> ➤ What concerns about fraud are staff expected to report? 	
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within Oxfordshire County Council or Oxfordshire Pension Fund?</p> <ul style="list-style-type: none"> ➤ How are the risks relating to these posts identified, assessed and managed? 	
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> ➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	
7	<p>Are you aware of any entries made in the accounting records of Oxfordshire County Council or Oxfordshire Pension Fund that you believe or suspect are false or intentionally misleading?</p> <ul style="list-style-type: none"> ➤ Are there particular balances where 	

	<p>fraud is more likely to occur?</p> <ul style="list-style-type: none"> ➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of Oxfordshire County Council or Oxfordshire Pension Fund? ➤ Could a false accounting entry escape detection? If so, how? ➤ Are there any external fraud risk factors which are high risk of fraud? 	
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none"> ➤ Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets? 	