

# Audit Opinion Plan

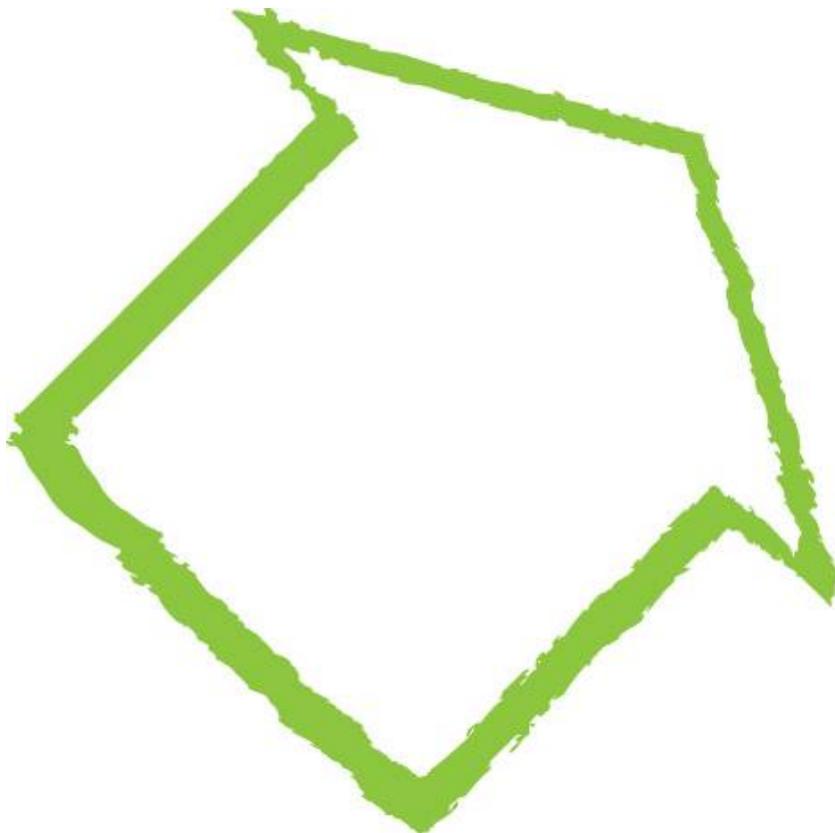
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Vale of White Horse District Council

Audit 2009/10

March 2010



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Introduction

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- 1 This plan sets out the audit work that we propose to undertake for the audit of the 2009/10 financial statements. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
  - audit work specified by the Audit Commission for 2009/10;
  - current national risks relevant to your local circumstances; and
  - your local risks.

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# Responsibilities

- 2 The Audit Commission's document, the 'Statement of Responsibilities of Auditors and Audited Bodies' sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy to every audited body. This document was also discussed with the Audit Committee in December 2009 when the Annual Audit Letter was presented.
- 3 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 4 In addition we comply with the statutory requirements governing our audit work, in particular:
  - the Audit Commission Act 1998; and
  - the Code of Audit Practice.

# Fee for the audit of the financial statements

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- 5 The overall fee for the audit of the financial statements indicated in our letter of 9 April 2009 was £103,018. (The letter is attached as appendix 1).
- 6 In setting the fee, we assumed that:
  - the overall level of risk in relation to the audit of the accounts would be consistent with that for 2008/09;and
  - there would be no changes to the requirements of the SORP which require additional work.
- 7 Further information on the basis for the fee is set out in Appendix 2.

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## Specific actions the Council could take to reduce its audit fees

- 8 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, we will work with staff to identify any specific actions that the Council could take and provide ongoing audit support.
- 9 There are a number of technical changes which are applicable to the financial statements for local authorities in 2009/10. These changes apply to all local authorities and are contained in a Statement of Recommended Practice (SoRP) issued by the professional accounting bodies.

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# Auditors report on the financial statements

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- 10 We will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 11 We are required to issue an audit report giving our opinion on whether the accounts present fairly the financial position of the Council as at 31 March 2010.

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## Identifying opinion audit risks

- 12 As part of our audit risk identification process, we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
  - identifying the business risks facing the Council, including assessing your own risk management arrangements;
  - considering the financial performance of the Council;
  - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
  - assessing the risk of material misstatement arising from the activities and controls within the Council's information systems.

# Identification of specific risks

13 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

**Table 1 Specific risks**  
Specific opinion risks identified

Risk area	Audit response
<p><b>Accuracy of accounts</b></p> <p>There were historical errors in the financial statements which have been investigated thoroughly in year. Expectations of completely accurate statements in 2009/10 increase the pressures on staff involved in preparing the statements, who may have an incentive to be less open around errors.</p>	<p>We will work with the new Chief Accountant ensure our audit work covers all areas of risk and that we have adequate responses to all queries raised.</p>
<p><b>Senior Officer Remuneration</b></p> <p>Recent amendments made to the Accounts and Audit Regulations (SI 2009/3322) issued in December 2009, authorities will be required to disclose the names, pay and benefits of senior employees (in addition to the note on police officer pay) in a note to the financial statements. This will be more complicated with the shared management structure with South Oxfordshire District Council.</p>	<p>Officers from Accountancy attended the Chief Accountant workshops run by the Audit Commission to ensure good understanding of issues relating to the audit.</p> <p>We will review compliance with this requirement as part of our post statements audit.</p>

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# Testing strategy

- 14 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and substantive tests of transaction streams and material account balances at year end.
- 15 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 16 Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit. We have identified the following areas where substantive testing could be carried out early.
  - review of accounting policies;
  - bank reconciliation;
  - disposal of fixed assets; and
  - investments - ownership.

Where other early testing is identified as being possible, this will be discussed with officers.

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# Key milestones and deadlines

- 17 The Council is required to prepare the financial statements by 30 June 2010. We are required to complete our audit and issue our opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table two.
- 18 During the detailed testing phase in July to August we will meet weekly with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

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**Table 2 Proposed timetable**

Key milestones

Task	Deadline
Control and early substantive testing	March/April 2010
Receipt of accounts	29 June 2010
Forwarding audit working papers to the auditor	30 June 2010
Start of detailed testing	to be confirmed
Progress meetings - during the post-statements audit	as necessary
Present report to those charged with governance, the Corporate Audit Committee	30 September 2010
Issue opinion	30 September 2010

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# The audit team

19 The key members of the audit team for the 2009/10 audit are shown in the table below.

**Table 3**      **Audit team**

Name	Contact details	Responsibilities
Maria Gindley District Auditor	<a href="mailto:m-grindley@audit-commission.gov.uk">m-grindley@audit-commission.gov.uk</a> 0844 798 952 07769932604	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive/Executive Director as required.
Anne Ockleston Audit Manager	<a href="mailto:a-ockleston@audit-commission.gov.uk">a-ockleston@audit-commission.gov.uk</a> 0844 798 958 07966 402491	Manages and coordinates the different elements of the audit work. Key point of contact for the Council.
Adam Prickett Principal Auditor	<a href="mailto:a-prickett@audit-commission.gov.uk">a-prickett@audit-commission.gov.uk</a> 0844 798 7521 07779 335835	Responsible for day to day supervision of the audit.

## Independence and objectivity

- 20 We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 21 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix three.

## Meetings

- 22 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 4.

## The audit team

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### Quality of service

- 23** We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Maria Grindley in the first instance. Alternatively, you may wish to contact the South Central Head of Operations Neil Childs ([n-childs@audit-commission.gov.uk](mailto:n-childs@audit-commission.gov.uk)).
- 24** If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.
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### Planned outputs

- 25** Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.
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#### **Table 4**      **Planned outputs**

##### Key reports

<b>Planned output</b>	<b>Indicative date</b>
Opinion audit plan	17 March 2010
Annual governance report	30 September 2010
Auditor's report giving an opinion on the financial statements	30 September 2010
Final accounts memorandum (if required)	30 October 2010

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# Appendix 1 – Indicative fees letter

9 April 2009

David Buckle  
Chief Executive  
Vale of White Horse District Council  
Abbey House  
Abingdon  
Oxfordshire  
OX14 3JE

Email

m-grindley@audit-  
commission.gov.uk

Dear David

Annual Audit Fee - 2009/10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Vale of White Horse District Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is for £103,018 (exclusive of VAT) which compares to the planned fee of £99,523 for 2008/09. A summary of the fee is shown in the table below.

Audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09
Planning and reporting the audit	19,331	17,650
Financial statements (including WGA)	57,535	56,873
Use of Resources/VFM Conclusion	26,215	25,000
Total audit fee	103,018	99,523

## Appendix 1 – Indicative fees letter

The Audit Commission has published, in December 2008, its work programme and scales of fees 2009/10. The scale fee for Vale of White Horse District Council is £103,018. The fee proposed for 2009/10 is set at the scale fee.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008/09. A separate plan for the audit of the financial statements will be issued in December 2009. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Executive Director and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. However, I have identified a significant risk in relation to my value for money conclusion as shown in the table below. I will consider the arrangements put in place by the Authority to mitigate this risk, and plan my work accordingly.

Risk	Planned work	Timing of work
Shared management structure.  The Council is moving to a shared management structure with South Oxfordshire District Council. This may have impacts on the internal control environment.	We will liaise with officers and consider the outcomes of internal audit work as part of our work on Use of Resources.	April 2009 – March 2010

I will issue a number of reports relating to my work over the course of the audit.

The above fee excludes:

- any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Any such work will be separately negotiated and a detailed project specification agreed with you; and
- any work we undertake to review the accounting treatment of PFI schemes such as the Authority's proposed scheme for improved custodial accommodation. Any audit work will be billed at hourly rates.

The key members of the audit team for the 2009/10 are:

Audit Manager – Anne Ockleston                      0844 798 8958

Team Leader – Adam Prickett                      0844 798 1752

Performance Lead – Mel Shaw                      0844 798 8813

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the Southern Region Head of Operations, Neil Childs ([n-childs@audit-commission.gov.uk](mailto:n-childs@audit-commission.gov.uk)).

Yours sincerely  
Maria Grindley  
District Auditor  
cc Executive Director Finance  
Chair of Audit Committee

# Appendix 2 – Basis for fee

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- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:
  - our cumulative knowledge of the Council;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with Council officers; and
  - liaison with Internal Audit.
- 3 This is an on-going process with information from the 2008/09 audit informing the 2009/10 audit. Where additional risks are identified for example at the Council or from national guidance or events, the level of fee will be reviewed.

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## Assumptions

- 4 In setting the fee, I have assumed that:
  - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09 and that officers will develop and improve closedown arrangements for 2009/10;
  - you will inform us of significant developments impacting on the audit;
  - Internal Audit meets the appropriate professional standards;
  - Internal Audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit where we plan to do so;
  - good quality working papers and records will be provided to support the financial statements by 30 June 2010;
  - requested information will be provided within agreed timescales;
  - prompt responses will be provided to draft reports; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 5 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee.

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# Appendix 3 – Independence and objectivity

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- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Corporate Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

## Appendix 3 – Independence and objectivity

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit Plan as being 'additional work' and charged for separately from the normal audit fee.
  - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
  - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
  - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

# Appendix 4 – Working together

## Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

**Table 5 Proposed meetings with officers**

Council officers	Audit Commission staff	Timing	Purpose
Executive Director, Head of Finance	District Auditor Audit Manager	Monthly on-going throughout the year	Discuss more general issues relating to the Council including financial standing, risk management etc.
Chief Accountant	Audit Manager and Principal Audit	As required, plus weekly during the review of financial statements	Update on audit issues
Audit and Governance Committee	District Auditor and Audit Manager, with Principal Auditor as appropriate	As determined by the Committee	Formal reporting of: Audit Plan Annual governance report Other issues as appropriate

## Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
  - reducing paper flow by encouraging you to submit documentation and working papers electronically;
  - use of video and telephone conferencing for meetings as appropriate; and
  - reducing travel.

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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## Copies of this report

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