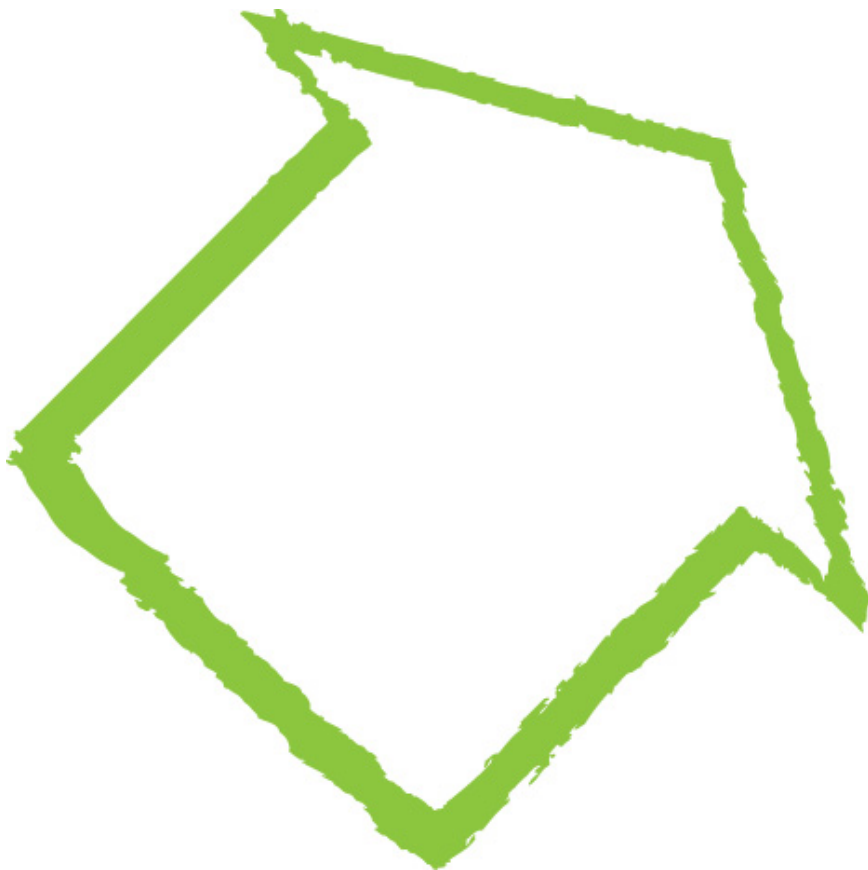


Audit opinion plan

Wirral Metropolitan Borough Council

Audit 2009/2010

January 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.
-

Introduction

- 1 This plan sets out the audit work we propose to carry out in relation to the audit of the financial statements 2009/10 for Wirral Council, including the audit of the Whole of Government Accounts.
- 2 We issued our initial audit fees letter for 2009/10 to Cabinet on 23 April 2009 and the Audit and Risk Management Committee on 29 June 2009, which set out the work that we proposed to undertake in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. A copy of the audit fees letter is included as Appendix 1. We are required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion planning work. As the initial audit plan was produced at the start of the financial year for fee purposes, it was not possible to specify these risks. We are now in a position to do this as the opinion work is about to commence. We are required to:
 - identify the risk of material misstatements in your accounts;
 - plan audit procedures to address these risks; and
 - ensure that the audit complies with all relevant auditing standards.
- 3 We have therefore set out below our approach to identifying opinion audit risks and have considered the specific risks that are appropriate to the current opinion audit.
- 4 As the Council is the administering body for Merseyside Pension Fund, the Council's financial statements include the Pension Fund Statements and the Audit and Risk Management Committee has ultimate responsibility for receiving, considering and agreeing the audit plans, as well as receiving and considering any reports arising from the audit. A separate plan has been produced for the Pension Fund and will be presented to the Pensions Committee and the Audit and Risk Management Committee.
- 5 The audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 6 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 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.
- 8 We comply with the statutory requirements governing our audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.
- 9 The Council's 2009/10 Statement of Accounts is prepared in accordance with the CIPFA Statement of Recommended Practice (SORP) 2009. The SORP sets out the proper accounting practices required for Statement of Accounts, by section 21(2) of the Local Government Act 2003 prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003.

Fee for the audit of the financial statements

- 10 The indicative fee for the audit of the financial statements and the value for money conclusion is £390,000. The Audit Commission scale fee for a Council is £343,236. The fee proposed for 2009/10 is 13 per cent above the scale fee and is within the normal level of variation specified by the Commission. The scale fee represents the Audit Commission's estimate of the fee required to complete an audit where:
 - There are no significant audit risks
 - The audited body has in place a sound control environment
 - The auditor is provided with complete and materially accurate financial statements
 - with supporting working papers
 - within agreed timeframes.
- 11 A copy of our 2009/10 fees letter is attached at Appendix 1. The basis for the fee is explained in more detail in Appendix 2.
- 12 In setting the fee, we have assumed that the level of risk in relation to the audit of accounts is consistent with that for 2008/09.
- 13 Where this assumption is not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with the Director of Finance and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 14 In our original audit plan, the fee for the opinion audit was based on our best estimate at the time and agreed at £256,298 for the opinion on the statement of accounts and £7,428 for the opinion on the Whole of Government Accounts. Having considered the risks we remain satisfied that the original estimate was entirely appropriate and no adjustment is therefore required to the fee.

Specific actions Wirral Council could take to reduce its audit fees

- 15 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 to provide ongoing audit support.

Auditors report on the financial statements

- 16** I 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).
- 17** I am required to issue an audit report giving my opinion on whether the Council's accounts give a true and fair view of the financial position of the Authority as at 31 March 2010.

Organisation level risks

- 18** 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:
- establishing the nature of the Council's activities;
 - identifying the business risks facing the Council, including assessing your own risk management arrangements;
 - considering the financial performance of the Council; and
 - assessing internal control, including:
 - reviewing the control environment
 - the IT control environment
 - internal audit.

Information system risks

- 19** To comply with ISA (UK&I) 315 we need to assess the risk of material misstatement arising from the activities and controls within the Council's information systems. To be able to assess these risks we need to identify and understand the material systems and document that understanding.
- 20** Material systems are those which produce material figures in the annual financial statements. We have identified that the Council has 12 material systems. For these systems we need to demonstrate our understanding by documenting the following:
- How transactions are initiated, recorded, processed and reported in the financial statements.
 - The accounting records relevant to the transactions.
 - How the Council identifies and captures events and conditions which are material to the financial statements eg depreciation.
 - The financial reporting process used to prepare the financial statements.

Auditors report on the financial statements

Assertions

- 21 When considering the risk of material misstatement we consider what the Director of Finance is stating when he signs the financial statements. An audited body's management is responsible for the preparation and presentation of financial statements which give a true and fair view of the nature and activity of the Council for the period. In doing so, management is making statements regarding the recognition, measurement, presentation and disclosures of various elements of the financial statements and related disclosures.
- 22 These representations from management are referred to as assertions about financial statements in ISA (UK&I) 500. The ISA states that we have to ascertain that the financial statements are free from material misstatement at the assertion level. The ISA splits out the assertions and considers their applicability in respect of:
- Income and expenditure account items;
 - Balance Sheet items; and
 - Disclosures and presentational elements of the financial statements.
- 23 Table 1 below details the relevant assertions for these three categorisations, showing which assertions we need to consider by area of the financial statements.

Table 1 Assertions

We are required to test whether the financial statements are free from material misstatement at the assertion level

Assertion	What does it mean	Income and expenditure	Balance sheet	Disclosure
Accuracy	Is it recorded at the right amount and are the details right? Has it been coded correctly?	✓		✓
Classification	Is it in the right place, under the right headings in the accounts?	✓		✓
Completeness	Is everything that should be in the statements all there?	✓	✓	✓
Cut-off	Is it in the right year?	✓		
Existence	Does the asset or liability exist and is it still owing at the end of the year?		✓	

Auditors report on the financial statements

Assertion	What does it mean	Income and expenditure	Balance sheet	Disclosure
Occurrence	Has it happened and does it relate to the Council?	✓		✓
Rights and obligations	Does it belong to the Council? Is the Council entitled to use it?		✓	✓
Valuation and allocation	Is it included at an appropriate amount and properly recorded in the right place?		✓	✓

ISA (UK&I) 500

- 24** In considering the risk of material misstatement we are required to report all errors that are not clearly trivial. Our threshold for reporting to you is £81k. We are also required to consider the cumulative effect of errors.

Identification of specific risks

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

Table 2 Specific risks
Specific opinion risks identified for Wirral Council

Risk Area	Assertions	Audit response
Risks relevant for all councils		
SORP2009 requires changes in how the Council will account for local taxation. Risk that the new requirements are incorrectly applied resulting in a material error in the accounts.	Valuation and allocation	Ongoing discussions with Council officers to assess impact of change. Accounting treatment followed will be reviewed to ensure that it meets the requirements of SORP 2009.
General market conditions are a trigger event for an impairment review. Impairment could be significant compared to previous years. Risk that the carrying value of assets are materially misstated at the year end.	Valuation and allocation	Movement of Council asset values recognised in the accounts to be compared against general market information provided by independent chartered surveyors.
Current economic conditions suggest that an increase in the Bad Debt Provision (BDP) may be required. Risk that provision may be understated.	Valuation and allocation	Aged debtor and debt recovery analysis reviewed to support reasonableness of bad debt provision calculation.
Increased risk of fraudulent financial reporting due to current economic environment and increased financial pressures, for example overspends in DASS.	All	Discussions with senior Council officers regarding controls that mitigate the risk of fraud. Letters of assurance to be obtained from management and those charged with governance (TCWG) Monitoring of the Council's reported financial performance. Completion of a fraud risk assessment. Review of the Letter of Representation.

Risk Area	Assertions	Audit response
<p>The Council is reviewing a number of accounting areas as part of the transition to IFRS work. There is a risk that detailed review of accounting entries may identify errors under UKGAAP.</p>	<p>All</p>	<p>Ongoing discussions with finance officers regarding progress in the transition to IFRS.</p>
<p>SORP 2009 requires that PFI schemes are to be accounted for under IFRS. PFI properties will therefore generally be required to be recognised on balance sheet. As the Council has a significant PFI scheme, there is a risk that the new accounting arrangements are incorrectly applied and the balance sheet is misstated.</p>	<p>Valuation and allocation</p>	<p>All accounting entries in relation to the PFI scheme will be reviewed.</p> <p>As agreed with Council officers, the intention is to perform this review prior to the year end.</p>
<p>Housing benefits expenditure and grant income are material entries in the accounts. Our deadline to complete the certification of the housing benefits subsidy claim is after our opinion deadline on the accounts.</p>	<p>All</p>	<p>We will agree amounts in the housing benefits system to the general ledger at the year end.</p> <p>We will complete sufficient work on the housing benefit subsidy claim to demonstrate that the claim is not materially misstated.</p>
<p>Risks specific to Wirral</p>		
<p>Large number of manual, off ledger, significant adjustments actioned at the year end to produce the accounts. Risk of misstatement in the accounts, mainly in respect of I&E account and FRS17 entries</p>	<p>Accuracy Completeness</p>	<p>All material journals will be reviewed.</p> <p>Review audit trail between accounts and ledger produced to identify entries requiring testing.</p> <p>FRS17 entries to be agreed to actuarial confirmation.</p>
<p>A material weakness was identified in 2008/09 in relation to the Council's asset records. If no action is taken there is a risk of misstatement in the following areas:</p> <ul style="list-style-type: none"> - existence of VPE - capitalisation of expenditure on infrastructure assets - completeness of community assets 	<p>Existence, valuation and allocation, completeness</p>	<p>Progress against the action plan agreed in the 2008/09 AGR will be monitored throughout the year.</p> <p>Year end substantive testing will be performed specifically addressing the risk areas identified.</p>

Identification of specific risks

Risk Area	Assertions	Audit response
2008/09 audit identified undisclosed related party transactions. Risk of non-disclosure of politically sensitive items in the accounts approved by members in June 2010.	Completeness	All declarations of interests made in year will be reviewed. Other audit procedures will be made to ensure that all disclosures have been made, for example Companies House searches and following up NFI matches.
Our PIDA work on the DASS charging policy applied at in-house supported living units from 1997 is unresolved. Risk of financial, legal and governance impact on the accounts.	Regularity	Liaison with the Monitoring Officer and S151 Officer. Review of IA work on further investigation of issues and quantifying any financial, governance and legal implications
Our PIDA work on the HESPE contract is unresolved. Risk of financial, legal and governance impact on the accounts.	Regularity	Liaison with the Monitoring Officer and S151 Officer. Review of HESPE contract.
<p>13 non-trivial errors were identified during the 2008/09 audit, including the following three material errors:</p> <ul style="list-style-type: none"> - classification within the BVACOP analysis - netting off of REFCUS in the SEA - valuation basis of community assets <p>We also identified 5 disclosure errors.</p> <p>There is a risk that the process that led to these errors will reoccur, leading to misstatement in 2009/10 accounts.</p>	All	All errors identified in the 2008/09 audit will be carried forward and specifically considered in 2009/10.
The Council must produce its accounts by the end of June 2010 and we have planned for the majority of our work to be completed during July 2010. Any delay in the production of the accounts or supporting working papers will impact on our ability to complete the audit by the deadline and report to members.	All	Key milestones and timetable communicated in Table 3 of this report.

Testing strategy

- 26 On the basis of the risks identified above we will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.
- 27 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 28 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:
- Accounting policies;
 - Bank reconciliation;
 - Fixed Assets – confirmation of ownership and existence;
 - Year end feeder system reconciliations;
 - Provisions, reserves and contingent liabilities;
 - Annual Governance Statement
 - Impairments.
 - Council tax debit
 - Collection fund
 - Large grants - eg Revenue Support Grant (RSG)
 - Public Finance Initiative
 - Remuneration Statement
 - Related Party Transactions
- 29 Where other early testing is identified as being possible this will be discussed with officers.
- 30 Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities.

Key milestones and deadlines

- 31 The Council is required to prepare the financial statements by 30 June 2009. We are required to complete our audit and issue our opinion by 30 September 2009. The key stages in the process of producing and auditing the financial statements are shown in Table 3.
- 32 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 33 Every week during the post-statements audit we will meet 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.

Table 3 Proposed timetable

Task	Deadline
Agreement of Opinion Plan with officers	Draft by end of November Final by mid December
Progress meetings - pre statements	Six weekly
Presentation of Opinion Plan to ARMC Finance to present covering report including explanation of the final accounts process and the roles of the Pensions Committee and Audit and Risk Management Committee	18 January 2010 (papers by 29 December)
ISA+ 315 knowledge of the entity*	January 2010
Control testing*	February 2010
ARMC consider draft Annual Governance Statement Update of Opinion Plan presented to ARMC	24 March 2010 (papers by 10 March)
ARMC member training (proposed)	May/early June 2010
Early substantive pre-statements testing*	Mid June 2010
Receipt of pre-audit accounts by ARMC and auditor	14 June 2010
Working papers provided to the auditor	By 30 June 2010
Pensions Committee to challenge accounts and make recommendations to ARMC	Before ARMC meeting (by 30 June 2010)
ARMC to challenge and approve accounts, including Annual Governance Statement and Pension Fund Statements. Finance to present pre-audit statement of accounts and covering report	By 30 June 2010 (papers out by 16 June)

Key milestones and deadlines

Task	Deadline
Start of detailed testing on main statements	30 June 2010
Completion of fieldwork on main statements	6 August 2010
Receipt of WGA and working papers	8 July 2010
Completion of fieldwork on WGA	6 August 2010
Progress meetings - post statements	Weekly
Agreement of errors and uncertainties for Finance to complete covering reports and amend statements**	20 August 2010
Draft Annual Governance Reports from Audit Commission to officers**	3 September 2010
Meeting with officers to agree final AGRs (AGRs will highlight any outstanding issues that will be updated at meetings with members)	Meetings by 8 September 2010 Final AGRs by 13 September 2010
Pensions Committee - to consider the Pension Fund AGR and any action plan, any amendments to statements and the Letter of Representation - to make recommendations to ARMC	Before ARMC meeting below (by 30 September 2010) Papers out by 13 September
ARMC to receive Annual Governance Report, including any verbal update on outstanding issues Finance to present covering report and post-audit statements	By 30 September 2010 Papers out by 13 September 2010
Final check of post-audit statements	By 30 September 2010
Issue of opinion by the District Auditor	By 30 September 2010
Audited accounts published by the Council	By 30 September 2010
Whole of Government Accounts return submitted	1 October 2010

Notes:

* at each stage of completion of work we will feed back to officers and report key issues to the next ARMC meeting.

** on both Pension Fund statements and main Council Statements

Audit team and key contacts

34 The key members of the audit team and key contacts for the 2009/10 opinion audit are set out in the table below.

Table 4 Audit team

Key members of the audit team

Name	Contact details	Responsibilities
Mike Thomas District Auditor	m-thomas@audit-commission.gov.uk 0844 7987043 or 07879 667712	Overall delivery and reporting of the audits of the Council and Merseyside Pension Fund including quality and outputs. Signing the opinion, conclusion and certificate. Liaison with the Director of Finance and Chief Executive.
Liz Temple-Murray Audit Manager	l-temple-murray@audit-commission.gov.uk 0151 666 3483 or 07769 887358	Manages, quality assures and coordinates the different elements of the audit work on Wirral Council (including liaison with the Pension Fund Audit Manager). Key point of contact for the Director of Finance, Head of Finance, Head of Pensions and Chair of the Audit and Risk Management Committee. Annual Governance Report for Wirral Council.
Caroline Davies Audit Manager	caroline-davies@audit-commission.gov.uk 0151 666 3481	Supports the Audit Manager on Wirral Council. Manages, quality assures and coordinates the different elements of the audit work on Merseyside Pension Fund. Key point of contact for the Head of Pensions, the Financial Controller and the Chair of the Pensions Committee. Annual Governance Report for Merseyside Pension Fund.
Rob Metcalf Audit Team Leader	r-metcalf@audit-commission.gov.uk 0151 666 3484	Leads fieldwork and audit team on opinion work. Key point of contact for and liaison with the Head of Finance and the Chief Accountants.

Audit Commission

35 Wirral Council key officer contacts for the opinion audit are set out in the table below.

Table 5 Wirral Council key officer contacts

Key officers of the Wirral Council team

Name	Contact details	Responsibilities
Stephen Maddox Chief Executive	stephenmaddox@wirral.gov.uk 0151 691 8589	Accountable Officer Governance framework and signing the Annual Governance Statement.
Ian Coleman Director of Finance	iancoleman@wirral.gov.uk 0151 666 3056	Section 151 Officer Preparation and certification of accounts that present fairly the financial position of Wirral Council at 31 March 2010. Preparation and certification of accounts that present fairly the financial position of Merseyside Pension Fund at 31 March 2010. Agreement of final AGRs.
Bill Norman Director of Law, Asset Management and HR	billnorman@wirral.gov.uk 0151 691 8498	Monitoring Officer Considering the legality of transactions.
Tom Sault Head of Financial Services	tomsault@wirral.gov.uk 0151 666 3407	Preparation and quality assurance of accounts that present fairly the financial position of Wirral Council at 31 March 2010. Agreement of draft AGR for Wirral Council.
Jenny Spick Chief Accountant - Operations	jennyspick@wirral.gov.uk 0151 666 3582	Preparation of accounts and coordination and liaison during the audit.
Dave Garry Chief Internal Auditor	davegarry@wirral.gov.uk 0151 666 3387	Review of and assurance on risk management, corporate governance and financial control.

Wirral Council

36 Wirral Council key member contacts for the opinion audit are set out below:

Audit team and key contacts

Table 6 Wirral Council key member contacts

Key members involved in the financial statements

Name	Contact details	Responsibilities
Councillor Steve Foulkes Leader of the Council	stevefoulkes@wirral.gov.uk	Governance framework and signing the Annual Governance Statement
Paula Southwood Chair of the Audit & Risk Management Committee	paulasouthwood@wirral.gov.uk	Approves and signs the accounts on behalf of the Council

Wirral Council

- 37 In addition, all members of the Audit & Risk Management Committee are responsible for
- The approval of the Council's statement of accounts
 - The responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs.

Independence and objectivity

- 38 I am 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.
- 39 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

Quality of service

- 40 We are committed to providing you with a high quality service. The quality of our service is monitored by the Audit Commission which has recently published the [Audit Practice annual quality report \(November 2009\)](#) . This report summarises the results of the quality review of the work of the Commission's own staff as auditors to local government and NHS bodies, including the views of the Audit Inspection Unit that carried out an independent review of our work.
- 41 The publication of the Audit Commission's audit practice annual quality report is one of a range of measures aimed at demonstrating our commitment to delivering audit quality. It assures audited bodies and stakeholders about the arrangements in place and the underlying strength of the Commission's audit practice and compares our audit practice with the firms and the other audit agencies.

- 42 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 North West Head of Operations, Terry Carter: t-carter@audit-commission.gov.uk .
- 43 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.

Planned outputs

- 44 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit and Risk Management Committee or the Pensions Committee.

Table 7 Planned outputs

The planned outputs from the opinion audit are set out below - there will be separate outputs for Wirral Council and Merseyside Pension Fund

Planned output	Indicative date
Opinion audit plans	31 December 2009
Update to opinion audit plans and feedback on interim audits (if appropriate)	March 2010
Annual governance reports	30 September 2010
Auditor's reports giving an opinion on the financial statements	30 September 2010
Final accounts memoranda (if appropriate)	30 November

Audit Commission

- 45 We will agree final dates with you as the audit progresses.

Appendix 1 – Fees Letter

Our reference LTM/FL

26 April 2009

Mr I Coleman
Director of Finance
Wirral Council
Treasury Building
Cleveland Street
Birkenhead
Wirral
CH41 6BU

Direct line 0844 798 7043
Email m-thomas@audit-commission.gov.uk

Dear Ian

Annual audit fee 2009/10

Further to our discussions on the new form of the audit programme fee, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Wirral 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 £390,000 (exclusive of VAT) which compares to the planned fee of £406,647 for 2008/09 (reduction of 4.1%). A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	256,298	271,900
Use of Resources/VFM Conclusion	126,274	132,350
WGA	7,428	2,400

Total audit fee	390,000	406,650
Certification of claims and returns	168,035	136,960

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Wirral Council is £343,236. The fee proposed for 2009/10 is 13 per cent above 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. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Risk Management 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 number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
Medium term funding and DASS overspends.	We will review the Council's plan for balancing medium term funding and monitor progress of DASS spending throughout the year, as part of our work on Use of Resources.	April 2009 – March 2010
Workforce planning	We will review the council's arrangements 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. These are listed at Appendix 1.

Appendix 1 – Fees Letter

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

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

Audit Manager – Liz Temple-Murray 0151 666 3483

Team Leader – Rob Metcalf 0151 666 3484

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 Terry Carter, the North West Region Head of Operations: t-carter@audit-commission.gov.uk.

Yours sincerely
Mike Thomas
District Auditor

cc Steve Maddox, Chief Executive
Paula Southwood, Chair of the Audit Committee

Appendix 2 – Basis for fee

- 46 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.
- 47 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.

Assumptions

- 48 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;
 - you will inform us of significant developments impacting on the audit;
 - Internal Audit meets the appropriate professional standards;
 - good quality working papers and records will be provided to support the financial statements by 14 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.
- 49 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 3 – Independence and objectivity

- 50** 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).
- 51** The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 52** 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
- 53** 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 Audit and Risk Management Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 54** 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.
- 55** 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 and Inspection 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.
- 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

56 The audit team will maintain knowledge of your issues to inform our risk-based opinion audit through regular liaison with key officers.

57 Our proposal for the meetings is as follows.

Table 8 Proposed meetings with officers with respect to the opinion audit

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive and corporate directors	District Auditor, Audit Manager	Quarterly	Liaison and updates
Head of Financial Services	Audit Manager and Team Leader	As required and weekly during fieldwork	Liaison and updates
Chief Accountant	Team Leader	As required and weekly during fieldwork	Liaison and updates
Deputy Director of Finance and Chief Internal Auditor	Audit Manager and Team Leader	Quarterly	Liaison and updates

Sustainability

58 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.

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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