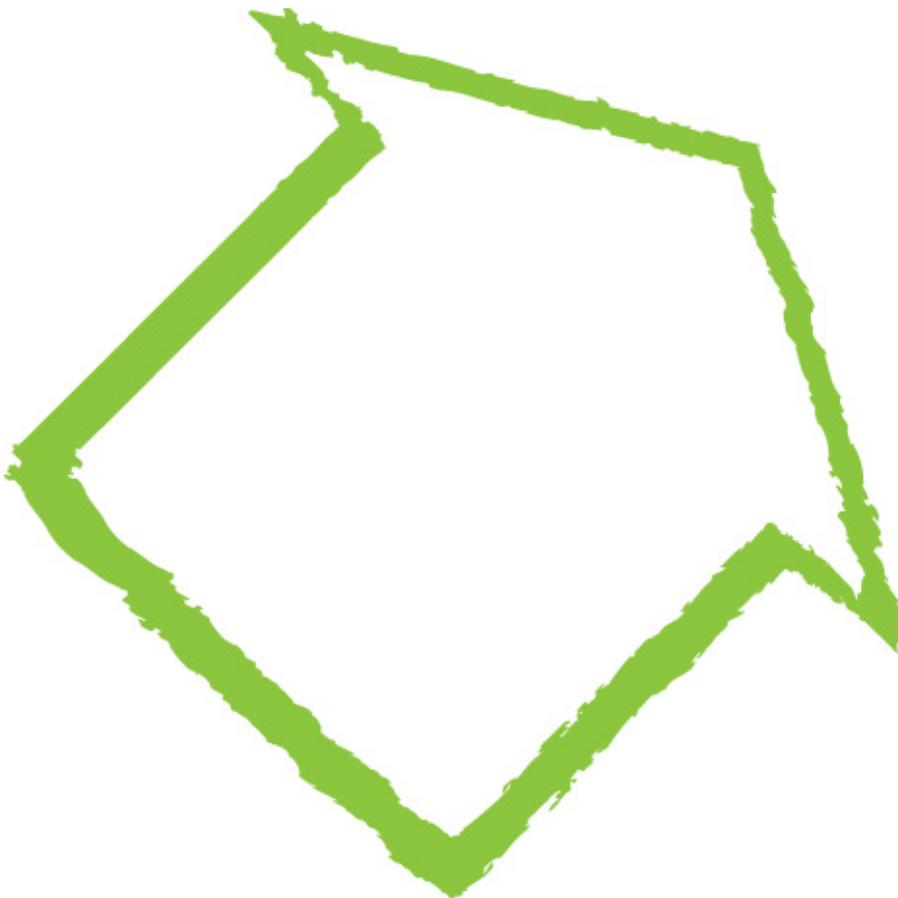


# Audit Opinion Plan

Wyre Forest District Council

Audit 2009/10

March 2010



---

# Contents

|  |           |
|--|-----------|
| <b>Introduction</b>                                | <b>3</b>  |
| <b>Responsibilities</b>                            | <b>4</b>  |
| <b>Fee for the audit of financial statements</b>   | <b>5</b>  |
| <b>Auditors report on the financial statements</b> | <b>6</b>  |
| <b>Identification of specific risks</b>            | <b>7</b>  |
| <b>Testing strategy</b>                            | <b>9</b>  |
| <b>Key milestones and deadlines</b>                | <b>10</b> |
| <b>The audit team</b>                              | <b>11</b> |
| <b>Appendix 1 – Basis for fee</b>                  | <b>13</b> |
| <b>Appendix 2 – Independence and objectivity</b>   | <b>14</b> |
| <b>Appendix 3 – Working together</b>               | <b>16</b> |

---

## 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 that we propose to undertake for the audit of financial statements 2009/10. 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.

---

# Responsibilities

---

- 2 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.
- 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 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 financial statements

---

- 5 The fee for the audit is £69,780, as indicated in my letter of 5 March 2009.
- 6 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; and
  - Internal Audit undertakes appropriate work on all material systems and this is available for our review by 30 April 2010.
- 7 Where these assumptions are not met, we 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 Resources and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 8 Further information on the basis for the fee is set out in Appendix 1.

---

## Specific actions Wyre Forest District Council could take to reduce its audit fees

- 9 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.

---

# Auditors report on the financial statements

---

- 10 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).
- 11 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

---

## 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 information systems.

# Identification of specific risks

13 Specific risks relate to financial transactions or issues that are likely to be material in relation to the accounts that may require additional audit work. Some of these issues were not anticipated when we agreed the 2009/2010 plan. The table below summarises the issues that we consider to be specific risks as at March 2010. Some of these may not materialise and also new issues may be identified when we receive the statement of accounts. Any new issues and the action we have taken to address these will be reported in the September Annual Governance report.

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

| Risk area   | Audit response  |
|---|---|
| <b>Risks known that we are planning to address:</b>   |   |
| Asset valuations: The Council is using an internal valuer to assist in asset valuations. Asset valuations have a material impact on the balance sheet. Impairments were material in the 2008/09 accounts.                   | We will make an assessment in relation to the Council's 'use of an expert' in line with auditing standards. We will also consider the information provided by our own valuer, Gerald Eve when considering the basis of valuations and any impairment in the accounts. |
| Icelandic Investments: the Council has sought 'capitalisation direction' to enable it to offset the costs of the required impairment.   | We will consider the accounting treatment of Icelandic investments to ensure compliance with CIPFA guidance and the Capitalisation direction.   |
| The Council is likely to have spent material sums on IT this year. It is important that spending is appropriately split between revenue and capital expenditure.  | We will review any material additions in year and consider the consistency with accounting policy.  |
| <b>possible risks:</b>  |   |
| The new waste management arrangements, the cemetery contract and single site: it is possible that capital commitments or new contracts will have been entered into at the year end  | We will consider the materiality of any capital commitments and undertake appropriate audit procedures  |
| Purchase order processing is to be implemented at the year end. Whilst the Council has made every effort to ensure that the impact at the year end is minimal, it is possible that there may be some year end consequences. | We will discuss this issue with officers and consider the possible impact on the year end accounts. Further audit procedures may be considered following our 'impact assessment'.   |
| It is possible that there may be ongoing legal issues at the year end that may  | We will consider the basis of any contingent liabilities or provisions to be  |

| <b>Risk area</b>  | <b>Audit response</b>      |
|---|----------------------------|
| necessitate the disclosure of provisions or contingent liabilities. | disclosed in the accounts. |

---

# Testing strategy

---

- 14 On the basis of 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.
- 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.
  - Investments - treatment of Icelandic impairments.
  - Application of capitalisation direction.

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

- 17 Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities. For 2009/10, we expect to be able to use the results of the following pieces of work.
  - Treasury management.
  - Aspects of the financial ledger system.
  - Fixed assets.

# Key milestones and deadlines

- 18 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 2.
- 19 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 20 Every week, 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 2 Proposed timetable**

| <b>Task</b>  | <b>Deadline</b>           |
|--|---------------------------|
| Control and early substantive testing                                  | February/March 2010       |
| Receipt of accounts  | 30 June 2010              |
| Forwarding audit working papers to the auditor                         | 12 July 2010              |
| Start of detailed testing  | 12 July 2010              |
| Progress meetings  | Weekly                    |
| Present report to those charged with governance at the Audit committee | 21st September 2010 (TBC) |
| Issue opinion  | By 30 September 2010      |

# The audit team

21 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  |
|------------------------------|---|---|
| Liz Cave<br>District Auditor | <a href="mailto:l-cave@audit-commission.gov.uk">l-cave@audit-commission.gov.uk</a><br>0844 798 7552     | Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive. |
| Zoë Thomas<br>Audit Manager  | <a href="mailto:z-thomas@audit-commission.gov.uk">z-thomas@audit-commission.gov.uk</a><br>0844 798 7557 | Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Resources.   |

## Independence and objectivity

- 22 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.
- 23 I 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 2.

## Meetings

- 24 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 3.

**Quality of service**

- 25 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 me in the first instance. Alternatively, you may wish to contact the Sub-regional Head of Operations.
- 26 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**

- 27 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

**Table 4      Planned outputs**

| <b>Planned output</b>  | <b>Indicative date</b>                |
|--|---------------------------------------|
| Opinion audit plan   | March 2010                            |
| Annual governance report                                       | 14 <sup>th</sup> September 2010 (TBC) |
| Auditor's report giving an opinion on the financial statements | 30th September 2010                   |
| Final accounts memorandum                                      | November 2010                         |

---

# Appendix 1 – Basis for fee

---

- 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.

---

## Assumptions

- 3 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 12 July;
  - 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.
- 4 Table 1 identifies a number of risks, some of which are probable at this stage, others are possible and we will keep updated on these areas in our ongoing discussions with your officers. We hope to be able to accommodate these risks within our existing plan. However, as there are a number of risks and it is difficult to be precise at this stage as to the amount of work involved to address some of them then there is a possibility that additional fee may be required. We will discuss this at the earliest opportunity with your finance officers if we consider that this is likely to be the case.

---

# Appendix 2 – Independence and objectivity

---

- 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 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.

- 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 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.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

# Appendix 3 – 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  |
|---|-----------------------------------|--------------------------------|--|
| Director of Resources                               | AM and TL                         | March, July, September         | General update plus:<br>March - audit plan<br>July - accounts progress<br>September - annual governance report |
| Financial Services Manager and Principal Accountant | AM and Team Leader (TL)           | Quarterly and other adhoc      | Update on audit issues   |
| Audit Committee                                     | DA and AM, with TL as appropriate | As determined by the Committee | Formal reporting of:<br>Audit Plan<br>Annual governance report<br>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.



# 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, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2010

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)