

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Agenda No

Audit & Standards Committee - 28th May 2009.

Audit Opinion Plans 2008/09

Report of the Strategic Director, Resources

Recommendation

That the Committee consider the Audit Opinion Plans for 2008/09 and seek any clarification from the Audit Commission.

1. Purpose of the Report

- 1.1 On 16th June 2008 the Audit Commission issued to this Committee their initial Audit Plan for 2008/09 for the County Council and the Warwickshire Pension Fund. The Audit Commission are required by professional auditing standards to specify the detailed risks they need to consider as part of their opinion planning work.
- 1.2 The attached reports are the Audit Commission's Audit Opinion Plans for 2008/09 for both the County Council and the Warwickshire Pension Fund. Chris Leeland, Audit Manager, from the Audit Commission will be in attendance to answer any questions relating to these reports.

DAVID CLARKE
Strategic Director, Resources

Shire Hall
Warwick

18 May 2009

Audit Opinion Plan

Warwickshire County Council

Audit 2008/09

May 2009



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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

- 1 We issued our initial audit plan for 2008/09 to the Audit and Standards Committee on 16 June 2008, 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. 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.
- 2 We have therefore set out below our approach to identifying opinion audit risks and have considered the additional risks that are appropriate to the current opinion audit.

Identifying opinion audit risks

Organisation level risks

- 3** 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 and internal audit.

Information system risks

- 4** 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.
- 5** 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.

Assertions

- 6** When considering the risk of material misstatement we consider what the Strategic Director - Resources 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 are making statements regarding the recognition, measurement, presentation and disclosures of various elements of the financial statements and related disclosures.

Identifying opinion audit risks

- 7 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:
- operating cost statement items;
 - balance sheet items; and
 - disclosures and presentational elements of the financial statements.
- 8 The following table details the relevant assertions for these three categorisations, showing which assertions we need to consider by area of the financial statements.

Table 1 Assertions

Assertions that will be considered by area of financial statements

MEANS	INCOME AND EXPENDITURE ACCOUNT	BALANCE SHEET	DISCLOSURE
Is it recorded at the right amount and are the details right?	ACCURACY		ACCURACY
Is it in the right place in the accounts?	CLASSIFICATION		CLASSIFICATION
Is it all there?	COMPLETENESS	COMPLETENESS	COMPLETENESS
Is it in the right year?	CUT-OFF		
Is it real, does it exist?		EXISTENCE	
Has it happened?	OCCURRENCE		OCCURRENCE
Does it belong to the body? Are they entitled to use it?		RIGHTS AND OBLIGATIONS	RIGHTS AND OBLIGATIONS
Is it worth it?		VALUATION AND ALLOCATION	VALUATION AND ALLOCATION

Identification of specific risks

- 9 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below. I have not yet completed my interim work and it is possible that this may identify further risks.

Table 2 Specific risks
Specific opinion risks identified

Risk Area	Assertions	Audit response
Fire fighter injury award	All	Request justification for proposed accounting treatment
Disclosure of impact of Atherstone on Stour Fire investigations	Accuracy Completeness Valuation	Liaise with officers and investigators
Warwickshire Care Services - bringing back into Council ownership	Completeness Valuation and allocation	Liaise with officers and independent evidence
Single status	Completeness Valuation and allocation	Liaise with officers and legal assumptions
Impairment The recession has had a negative impact on asset values. There is a risk that the Authority's assets may not have been appropriately impaired and are overvalued.	Valuation and allocation	We will review the Council's impairment calculations for fixed and current assets.
Budget deficits	Accuracy Completeness Cut-off	Targeted testing Liaison with officers

Testing strategy

- 10 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.
- 11 Our testing can be carried out both before and after the draft financial statements have been produced (pre and post-statement testing).
- 12 Where possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit and this will be discussed with officers.

Key milestones and deadlines

- 13** 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.
- 14** We have provided a schedule of working papers usually required to support the entries in the financial statements.
- 15** We will meet regularly with key officers and review the status of all queries.

Table 3 Proposed timetable

Task	Deadline
Control and early substantive testing	May 2009
Receipt of accounts	June 2009
Forwarding of audit working papers to the auditor	June 2009
Start of detailed testing	July 2009
Progress meetings after start of detailed testing	Weekly or as required
Present report to those charged with governance at the Audit and Standards Committee	21 September 2009
Issue of opinion	By 30 September 2009

Audit fees

- 16** In my original audit plan, the fee for the opinion audit was based on my best estimate at the time and agreed at £218,656. Having considered the risks identified so far, and given above, I remain satisfied that the original estimate was appropriate and no adjustment is therefore required to the fee at this stage. If my view on this changes I will first of all discuss it with the Strategic Director.

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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