

# Audit Opinion Plan

Cherwell District Council

Audit 2009/10

June 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

- 1 We issued our initial audit fee plan for 2009/10 in April 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. 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.

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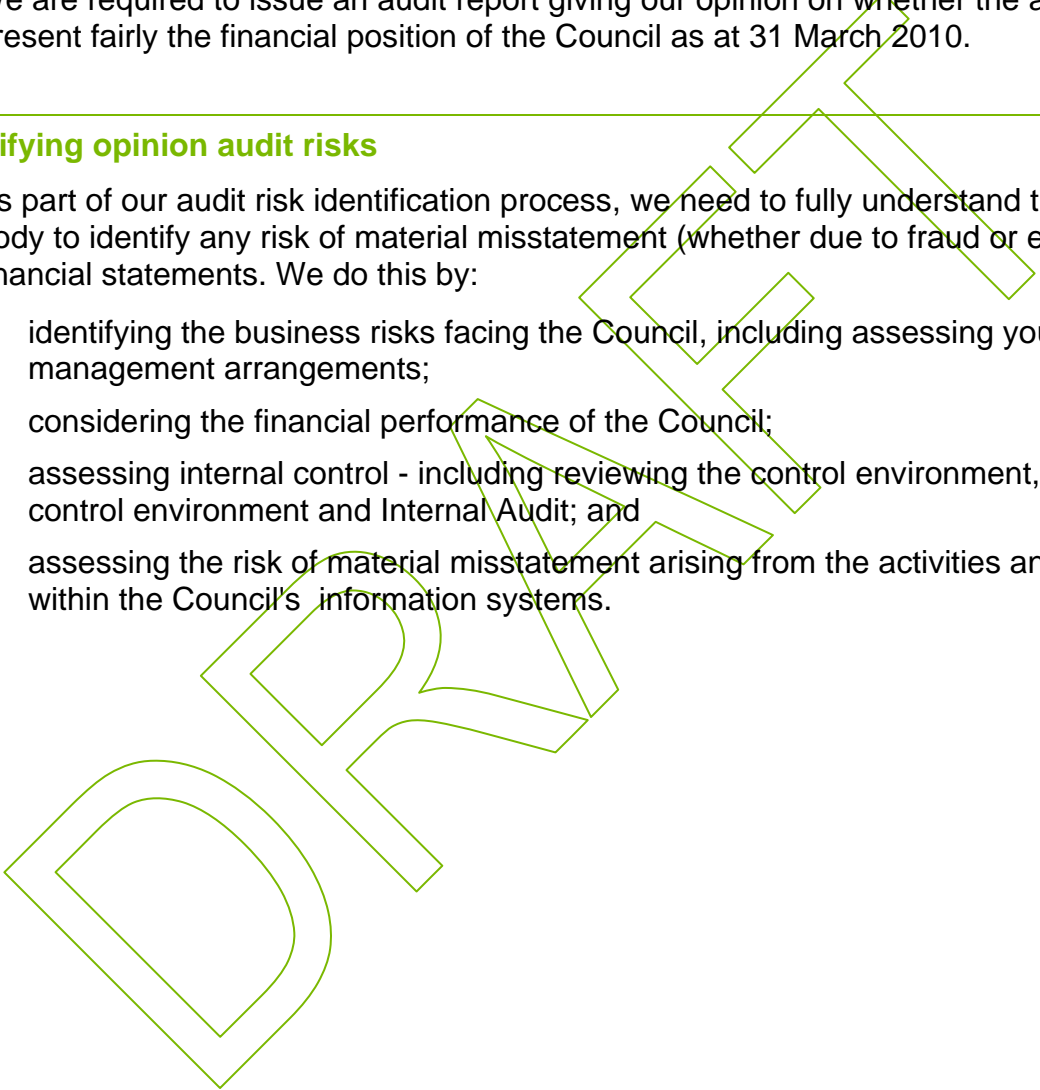
# Auditor's report on the financial statements

- 3 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).
- 4 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

- 5 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

- 6 We have not identified any significant risks which require additional audit processes. However, there are areas which we will give specific attention to during our normal audit review this year. We have set these out below.

**Table 1 Specific risks**

Specific opinion risks identified

Risk area	Audit response
<p><b>Icelandic Banks</b></p> <p>The Council invested £6.5m with Glitnir Bank whose winding up board has rejected the argument that local authority claims have priority status under depositor preference, accepting them instead as general unsecured claims. The risk remains that disclosures and accounting entries may not be presented in line with the most recent guidance and therefore not in line with the accounting standards for provisions (FRS12).</p>	<p>CIPFA updated LAAP 82 - Guidance on the impairment of deposits with Icelandic Banks, in May 2010. We will review the accounting entries and disclosures to ensure that the accounts are presented fairly.</p>
<p><b>Service Concessions</b></p> <p>The requirements for the introduction of 'IFRIC 12' are not addressed. This relates mainly to PFI schemes but also applies where the Council has a legal interest in assets not currently on the balance sheet.</p>	<p>We will review your arrangements to identify such items and if any have been identified review their accounting treatment.</p>

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# Testing strategy

- 7 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.
- 8 Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities.

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# Key milestones and deadlines

- 9 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.
- 10 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 11 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>
Receipt of accounts	23 June 2010
Forwarding of audit working papers to the auditor	end of June 2010
Start of detailed testing	5 July 2010
Progress meetings	Weekly
Present report to those charged with governance at the Audit committee	22 September 2010
Issue of opinion	by 30 September 2010

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# Audit fees

- 12** In my original audit plan, the fee for the opinion audit was based on my best estimate at the time and agreed at £110,000. Having considered the above risks, I remain satisfied that the original estimate was appropriate and no adjustment is therefore required to the fee at this stage.

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# The audit team

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13 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 Grindley Engagement Lead	m-grindley@audit-commission.gov.uk 0844 798 8952	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Nicola Jackson Audit Manager	n-jackson@audit-commission.gov.uk 0844 798 8962	Manages and coordinates the different elements of the audit work. Key point of contact for the Head of Finance.

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## Independence and objectivity

- 14 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.
- 15 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity.

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## Quality of service

- 16 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 Neil Childs, the South East Sub-Region Head of Operations.