
EXCERPT FROM THE MINUTES OF THE AUDIT COMMITTEE HELD ON 14 JANUARY 2011

AUC.09/11 AUDIT OPINION PLAN 2010/11

(a) The District Auditor presented the Audit Opinion Plan for the 2010/11 audit setting out the audit work the Audit Commission proposed to undertake for the audit of financial statements and the value for money conclusion for 2010/11.

She outlined the background to the matter and requirement to comply with the statutory requirements governing their audit work, in particular:

- The Audit Commission Act 1998; and
- The Code of Audit Practice

The District Auditor set out for Members the Commission's approach to identifying opinion audit risks and had considered the additional risks appropriate to the current opinion audit, details of which were provided. On the basis of the risks identified, she would produce a testing strategy which would consist of testing key controls and/or substantive tests of transaction streams and material account balances at year-end.

The District Auditor added that she was required to give a statutory value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness, the approach to which had been reviewed for 2010/11. The conclusion this year would be based on two criteria, specified by the Commission, in relation to the Council's arrangements for securing financial resilience and challenging how the Council secured economy, efficiency and effectiveness. A risk assessment of the Council's arrangements would be undertaken and consideration given to whether any further VFM audit work was needed to support this conclusion. She would discuss with Officers and report to the Committee on any risks identified.

Details of the key milestones and deadlines for preparation of the financial statements by 30 June 2011 were provided.

The fee for the 2010/11 audit was £123,075 as indicated in the letter of 27 April 2010. The Audit Commission had increased scale fees for 2010/11 by 6% to reflect the additional work required by the introduction of International Financial Reporting Standards (IFRS). The Commission had, however, recognised the financial pressures faced by audited bodies had refunded those transitional costs, resulting in the Council receiving a refund of £7,031 in April 2010.

The District Auditor informed Members that she had held the fee the same for 2010/11 to try and reflect the improvements seen in the 2008/09 and 2009/10 accounts. In setting the fee a number of assumptions had been made, details of which were provided. Additional work would require to be undertaken where those assumptions were not met which was likely to result in an increased audit fee. If that was the case, she would discuss that first with the Assistant Director (Resources) and issue supplements to the plan to record any revisions to the risk and the impact on the fee.

The District Auditor added that the Commission had written to all audited bodies on 9 August 2010 about its proposed new arrangements for local value for money audit work. That indicated the impact on audit fees for 2010/11 would be considered as part of the Commission's consultation on its work programme and scales of fees for 2011/12, planned for September 2010. The Secretary of State's announcement on the Government's intention to abolish the Commission delayed consultation until December 2010. The consultation period had ended on 7 January 2011 and the impact on 2010/11 and 2011/12 fees should be known by the end of February 2011.

The Chairman requested the submission of a report outlining progress in relation to the additional risks detailed on page 6 of the Audit Opinion.

In response, the Financial Services Manager undertook to prepare a report for consideration at the April 2011 meeting of the Committee.

RESOLVED - (1) That the Audit Committee welcomed the submission of the Audit Opinion Plan 2010/11.

(2) That the additional risks, detailed on page 6 of the Audit Opinion Plan, be drawn to the attention of the Executive and the Senior Management Team, it being noted that the Audit Committee would monitor the matter at their April 2011 meeting.