

Audit opinion plan

Bridge Estate

Audit 2009/10

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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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Introduction

1 This plan sets out the audit work I propose to undertake in relation to the 2009/10 Bridge Estate accounts. The plan is based on the Audit Commission's risk-based approach to audit planning which assesses:

- current national risks relevant to your local circumstances; and
- your local risks and improvement priorities.

2 The audit planning process for 2009/10, including the risk assessment is an on-going process and the information and fees in this plan will be kept under review and updated as necessary.

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Responsibilities

3 My engagement letter dated 8 October 2009 set out the respective responsibilities of the auditor and the Charity.

4 The engagement letter summarises where the different responsibilities of auditors and of the audited body begin and end, and our work is undertaken in the context of these responsibilities. This engagement letter remains in force for the duration of our audit appointment.

5 I comply with the statutory requirements governing our audit work, in particular the Charities Act 1993 (the Act). The Act defines auditors' responsibilities in relation to the financial statements.

6 Specifically, the work of auditors on charity accounts is defined by the Auditing Practices Board practice note 11 on the audit of charities.

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Fee for the audit of financial statements

7 The fee for the audit is £12,000, as indicated in my letter of 7th May 2010.

8 In setting the fee, I have assumed that:

- the level of risk in relation to the audit of accounts is consistent with that for 2008/09;
- Internal Audit undertakes appropriate work on all material systems; and
- a phased increase in fee is being applied over two years to rectify incorrect fee rates applied in 2008/09.

9 Where these assumptions are 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 Deputy Chief Executive & Corporate Director for Resources and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.

10 Further information on the basis for the fee is set out in Appendix 1.

Specific actions Bridge Estate could take to reduce its audit fees.

11 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 Bridge Estate could take and to provide ongoing audit support.

Auditors report on the financial statements

12 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).

13 I am required to issue an audit report giving my opinion on whether the Bridge Estate accounts present a true and fair view of the financial position as at 31 March 2010.

Identifying opinion audit risks

14 As part of our audit risk identification process I need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. I do this by:

- identifying the business risks facing the Bridge Estate, including assessing your own risk management arrangements;
- considering the financial performance of the Bridge Estate; and
- 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 Bridge Estate information systems

Identification of specific risks

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

Table 1: **Specific risks**

Specific opinion risks identified

Risk area	Audit response
<p>Internal control</p> <p>Risk that Trustees do not fulfil their responsibilities through insufficient involvement with the Charity.</p>	<p>I will consider the extent of Trustee participation in the business affairs of the Charity during 2009/10.</p>
<p>Public benefit reporting</p> <p>Risk that Charity does not meet Charity Commission requirements in relation to the Public Benefit Statement.</p>	<p>I will review the form and content of the Public Benefit Statement prepared by the Charity as part of its 2009/10 annual report.</p> <p>Specific consideration of the surplus transferred to Nottingham City Council will be made.</p>
<p>Production of accounts and working papers</p> <p>I reported in my 2008/09 annual governance report a number of weaknesses related to the accounts process (contained errors; incomplete working papers; lack of senior level review).</p> <p>Risk of insufficient action being taken by the Charity to address these matters in 2009/10 leading to material errors.</p>	<p>I will work closely with relevant Council staff as part of the 2009/10 audit to consider the nature and extent of improvements made to the accounts process.</p>
<p>Accounting policies</p> <p>Risk that Charity may amend its accounting policies without carrying out a formal, fully documented review of all existing policies.</p>	<p>My audit work includes review and consideration of the Charity's accounting policies.</p>

Testing strategy

16 On the basis of risks identified above I 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.

17 My testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).

18 I do not plan to rely on the work of internal audit to help meet our responsibilities.

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Key milestones and deadlines

19 I am required to complete our audit and issue our opinion by 31 January 2011. The key stages in the process of producing and auditing the financial statements are shown in Table 2.

Table 2: **Timetable**

Task	Deadline
Receipt of accounts	September 2010
Forwarding of audit working papers to the auditor	September 2010
Audit planning	October 2010
Detailed audit review and discussions with officers	November and December 2010
Present report to those charged with governance at the Audit committee	17 December 2010
Issue of opinion	By end of December 2010

The audit team

20 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
Sue Sunderland District Auditor	sue-sunderland@audit-commission.gov.uk 0844 798 4306	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Paul Hutchings Audit Manager	p-hutchings@audit-commission.gov.uk 0844 798 4545	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.
Linda Lakin Principal Auditor	l-lakin@audit-commission.gov.uk 0115 915 8354	Leads the audit team on a day to day basis and key point of contact for finance staff.

Independence and objectivity

21 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which

22 I am required by auditing and ethical standards to communicate to you any relationships that may affect the independence and objectivity of the District Auditor and audit staff associated with the Bridge Estate.

23 Your audit manager, Paul Hutchings, has made an independence declaration because a close relative is an employee of the Charity's Trustee Nottingham City Council. I have reviewed the nature of the declaration and consider that there is no significant threat to independence.

24 I have discussed this with the Deputy Chief Executive & Director for Corporate Resources at Nottingham City Council who viewed this as not being a threat to our independence. Other audit staff are aware of the

relationship and I will monitor this on an on-going basis through regular progress meetings with Paul.

25 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

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

Quality of service

27 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.

28 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

29 Reports will be discussed and agreed with the appropriate officers before being issued to Trustees via the Nottingham City Council Audit Committee.

Table 4: **Planned outputs**

Planned output	Indicative date
Opinion audit plan	November 2010
Annual governance report	17 December 2010
Auditor's report giving an opinion on the financial statements	31 December 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 Bridge Estate with reference to:

- our cumulative knowledge of the Bridge Estate;
- planning guidance issued by the Audit Commission;
- the specific results of previous and ongoing audit work;
- interviews with charity 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;
- there is no matter that requires consideration of our reporting duties to the Charity Commission;
- 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;
- requested information will be provided within agreed timescales; and
- prompt responses will be provided to draft reports.

4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Changes to the plan will be agreed with you.

5 These may be required if:

- new residual audit risks emerge; and
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

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

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Appendix 3 – Working together

Meetings

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

Sustainability

8 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.

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