

**EXTERNAL AUDIT UPDATE AND PROGRESS
REPORT**

Corporate Director (Resources)

1 Purpose

- 1.1 To receive a report from the External Auditors on the progress of their work.

2 Recommendations/for decision

- 2.1 The Committee is asked to note the contents of the External Auditors' report.

3 Supporting information

- 3.1 The External Auditors' progress report is attached at Appendix A.

4 Options considered

- 4.1 None

5 Reasons for Recommendation

- 5.1 This report is part of the independent external audit process. It is part of the Audit Committee's role to receive regular reports from the External Auditors on their current work at AVDC.

6 Resource implications

- 6.1 None

7 Response to Key Aims and Objectives

- 7.1 The external audit review process underpins the Council's own performance management framework which is designed to ensure optimum delivery of the key aims and outcomes.

Contact Officer
Background Documents

Val Hinkins 01296 585343
External auditors report

Progress report to 29 June 2009 Audit Committee

Aylesbury Vale District Council

Audit 2008/09

June 2009

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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.

Progress report

Introduction

- 1 Our principal objective as the Council's appointed auditor is to carry out an audit which meets the Audit Commission's Code of Audit Practice. This report sets out the progress made in delivering the work set out in our 2007/08 and 2008/09 audit plans.

Our responsibilities

- 2 In carrying out audit work, we comply with the statutory requirements governing it, in particular:
 - the Audit Commission Act 1998;
 - the Code of Audit Practice (the Code).
- 3 Our audit is also planned to be consistent with the Commission's Strategic Plan. The Code sets out two key objectives for our audit:
 - accounts; and
 - use of resources.

Reporting

- 4 Each year, the Audit Commission, as part of its planning process, produces a risk-based audit plan, which is tailored to the individual circumstances of the Council and meets the requirements of the Code of Audit Practice. This includes a use of resources programme which takes account of Audit Commission national requirements and local projects arising from our risk-based planning.
- 5 The draft Audit Plan is discussed and agreed with the Head of Finance. It is circulated to other members of the management team for comment prior to presentation to the Council's Audit Committee.
- 6 The Audit Commission will report progress on the various elements of our work to the Council's Audit Committee as part of the regular progress report.
- 7 Draft and final reports will be sent to lead officers for comment/observation prior to being sent to the Audit Committee with, where relevant, a completed accompanying action plan.
- 8 A summary of the key findings will be reported in the Annual Audit and Inspection Letter.

Progress

- 9 Progress to date on our main blocks of work is set out in Appendices 1 and 2 and indicates when our work will be completed. We will provide reports, or other output as agreed, to the Audit Committee for each of the audits identified in the plan.

2007/08 audit

- 10 Progress on our work programme for the 2007/08 audit is covered in Appendix 1.

2008/09 audit

- 11 The revised plan was agreed at the 24 June 2008 Committee.
- 12 Progress on our work programme for the 2008/09 audit is covered in Appendix 2.
- 13 We are required to gain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to risks of fraud and breach in internal control in the organisation. In addition, we are also required to understand how those charged with governance gain assurance that all relevant laws and regulations have been complied with. Finally, we are also required to understand how those charged with governance gain assurance that the audited body is a going concern.
- 14 Appendix 3 sets out our requirements in these areas and, with the presentation of the draft financial statements and annual governance statement to this Committee, this is an opportune time to remind those charged with governance of their responsibilities in these areas. We would therefore seek a response to these from those charged with governance at the meeting.

2009/10 audit

- 15 In previous years we have brought a detailed audit plan with the proposed audit fee to the Committee. For 2009/10, we have brought a shorter fee letter to the Committee that sets out an indicative audit fee which will be kept under review during the 2009/10 year. One reason for this approach is to reflect both the changing nature of the audit and inspection roles that the Commission will be involved in and the work we will need to carry out as part of the implementation of International Financial Reporting Standards (IFRS). As the content of both of these areas of work are still being finalised, we will reflect any changes in updated fee letters during the course of the year.
- 16 An outline fee letter is attached as a separate pdf file. This has been discussed with the Head of Finance.

Key contacts

- 17 If you have any concerns on the audit then please contact one of our key contacts.

Table 1 Key contacts for the audit

Mick and Michael are the key contacts for the audit

Name	Title
Mick West	Relationship Manager and District Auditor 0844 798 8990 m-west@audit-commission.co.uk
Michael Yeats	Audit Manager 0844 798 8973 m-yeats@audit-commission.co.uk

- 18 If you have any queries on the Comprehensive Area Assessment (CAA) process that will apply for the 2008/09 audit programme of work, the lead for this work is Robert Hathaway.

Name	Title
Robert Hathaway	Comprehensive Area Assessment Lead (CAAL) 0844 798 5682 r-hathaway@audit-commission.co.uk



Appendix 1 – Planned outputs from 2007/08 audit

Table 2 Progress on the elements of the 2007/08 audit programme

Output	Details	Start date	End date	Finalised	Comments
Audit plan	Sets out the agreed content and timing of all aspects of the external audit for 2007/08 financial year.	Mar 2007	April 2007	April 2007	
Interim audit memorandum	Memorandum of issues arising from our assessment of the Council's key financial systems including evaluation and testing of key controls (with reliance on internal audit as appropriate).	Mar 2008	April 2008	April 2008	Incorporated into our annual governance report.
Final accounts memorandum	Memorandum of issues arising from our audit of the Council's financial statements for 2007/08.	July 2008	Oct 2008	Nov 2008	Incorporated into our annual governance report.
Report to those charged with governance (ISA 260)	Our annual governance report in which - in accordance with the International Standards on Auditing - we report on the findings of our audit of the financial statements and our use of resources audit.	Sept 2008	Dec 2008	Dec 2008	Discussed at December 2008 Audit Committee.
Whole of Government Accounts (WGA)	Audit of WGA data returns to ensure consistency with main financial statements.	Sept 2008	Sept 2008	Nov 2008	Completed in November 2008.

Appendix 1 – Planned outputs from 2007/08 audit

Output	Details	Start date	End date	Finalised	Comments
Audit Opinion	Audit of financial statements leading to: <ul style="list-style-type: none"> • audit opinion on the financial statements; • assessment whether the statement of internal control has been presented in accordance with relevant requirements. 	Sept 2008	Sept 2008	Nov 2008	An unqualified audit opinion was issued on 10 November 2008.
VFM conclusion	Conclusion on the Council's arrangements for ensuring economy, efficiency and effectiveness	Sept 2008	Sept 2008	Nov 2008	An unqualified audit opinion was issued on 10 November 2008.
Direction of Travel	Provides focus for continuous improvement. Up-date on progress assessment for reporting in the CPA scorecard.	Jan 2009	Feb 2009		Included in our Annual Audit and Inspection Letter presented to 16 March 2009 Audit Committee.
Data Quality (Performance Indicators)	<ul style="list-style-type: none"> • Review of overall arrangements to secure data quality • Completeness check of reported PI information • Data quality spot checks on the two housing benefit BVPIs. 	May 2008	Nov 2008	Nov 2008	Final report presented to 16 March 2009 Audit Committee.
Grant claims (various)	Audit of a number of claims including NNDR and Housing Benefit claims	Sept 2008	Nov 2008		All claims completed.
Use of resources	Qualitative assessments of the effectiveness of the Council's arrangements for use of resources based on our five key lines of enquiry (KLOEs).			Dec 2008	Assessment as level 2 overall.

Appendix 1 – Planned outputs from 2007/08 audit

Output	Details	Start date	End date	Finalised	Comments
Annual Audit and Inspection Letter	Summary of the main findings from our overall programme of work for the 2007/08 audit.	Jan 2009	Feb 2009		Presented to 16 March 2009 Audit Committee.
Other work					
Triennial review of internal audit	Requirement of discharging our responsibilities is to carry out a triennial review of the Council's internal audit service to ensure it meets the relevant standards.	Jan 2008	Mar 2008	Mar 2008	Service is compliant with relevant standards; we are able to place reliance on internal audit's work as part of our audit.
Capital programme management	Ensure effective overall arrangements for the management of the Council's large and complex capital programme.	Sep 2008			Work is now complete - a draft report is due to be agreed with officers. No significant issues arising.

Source: Audit Commission



Appendix 2 – Planned outputs from 2008/09 audit

Table 3 Progress on the elements of the 2008/09 audit programme

Output	Details	Start date	End date	Finalised	Comments
Audit plan	Sets out the agreed content and timing of all aspects of the external audit for 2008/09 financial year.	Mar 2008	April 2008	June 2008	Agreed at 24 June 2008 Audit Committee.
Interim audit memorandum	Memorandum of issues arising from our assessment of the Council's key financial systems including evaluation and testing of key controls (with reliance on internal audit as appropriate).	Mar 2009	April 2009		Our fieldwork is now complete and a draft report will be discussed with officers.
Final accounts memorandum	Memorandum of issues arising from our audit of the Council's financial statements for 2008/09.	July 2009	Oct 2009		
Report to those charged with governance (ISA 260)	Our annual governance report in which - in accordance with the International Standards on Auditing - we report on the findings of our audit of the financial statements and our use of resources audit.	Sept 2009	Sept 2009		To be presented to 15 September 2009 Audit Committee.

Appendix 2 – Planned outputs from 2008/09 audit

Output	Details	Start date	End date	Finalised	Comments
Whole of Government Accounts (WGA)	Audit of WGA data returns to ensure consistency with main financial statements.	Sept 2009	Sept 2009		
Audit Opinion	Audit of financial statements leading to: <ul style="list-style-type: none"> • audit opinion on the financial statements; • assessment whether the statement of internal control has been presented in accordance with relevant requirements. 	Sept 2009	Sept 2009		
VFM conclusion	Conclusion on the Council's arrangements for ensuring economy, efficiency and effectiveness.	Sept 2009	Sept 2009		
Grant claims (various)	Audit of a number of claims including NNDR and Housing Benefit claims.	June 2009	Nov 2009		We are starting our work on the Housing Benefit claim earlier to coincide with our opinion audit.
Use of resources	Qualitative assessments of the effectiveness of the Council's arrangements for use of resources based on our eight key lines of enquiry (KLOEs) on three themes.	Mar 2009	Nov 2009		We presented to members on the approach to this year's work at the 16 March 2009 Audit Committee. We have completed the fieldwork and the draft assessments are now subject to national moderation.

Appendix 2 – Planned outputs from 2008/09 audit

Output	Details	Start date	End date	Finalised	Comments
Annual Audit and Inspection Letter	Summary of the main findings from our overall programme of work for the 2008/09 audit.	Jan 2009	Nov 2009		The Annual Audit and Inspection Letter will need to be agreed by the end of November 2009 to ensure this coincides with the delivery of local and area assessments.

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Appendix 3 – Responsibilities of those charged with governance in relation to fraud, legality and going concern

To those charged with governance

Compliance with International Auditing Standards

This is a request for your assistance as those charged with governance with our current work on the Council's accounts for 2008/09.

International Standard on Auditing (UK&I) 240 - fraud

In order to comply with International Standard on Auditing (ISA) (UK&I)240 we are required to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council.

I should be grateful if you would confirm:

- (i) how the Audit Committee oversees management processes to identify and respond to such risks, and
- (ii) whether you have knowledge of any actual, suspected or alleged frauds affecting the Council.

Management's processes include:

- undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud;
- identifying and responding to risks of fraud in the organisation;
- communication to employees of views on business practice and ethical behaviour; and
- communication to those charged with governance the processes for identifying and responding to fraud.

International Standard on Auditing (UK&I) 250 - legality

A second International Standard on Auditing (ISA(UK&I)250) requires that auditors understand how those charged with governance gain assurance that all relevant laws and regulations have been complied with.

Appendix 2 – Planned outputs from 2008/09 audit

International Standard on Auditing (UK&I) 570 - going concern

Finally, International Standard on Auditing (ISA(UK&I) 570) requires that auditors understand how those charged with governance gain assurance that the assessment of those charged with governance that the audited body is a going concern.

A brief response to each of these requirements as part of the Audit Committee meeting will suffice.

Mick West

District Auditor

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Appendix 4 – Outline fee letter for 2009/10 audit

The outline fee letter for the 2009/10 audit is attached as a separate pdf document with this progress report.

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15 April 2009

Andrew Small
 Head of Finance
 Aylesbury Vale District Council
 4 Great Western Street
 Aylesbury
 BUCKS
 HP20 2TW

Direct line 0844 798 8990
Email m-west@audit-commission.gov.uk

— Dear Andrew

Annual audit fee for 2009/10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Aylesbury Vale District Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Leads is writing to you separately on inspection fees.

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The proposed fee for the 2009/10 audit is £122,300 (exclusive of VAT) which compares to the planned fee of £110,366 for 2008/09 and represents a 11% increase. A summary of this is shown in the table below.

Audit area	Planned fee 2009/10 (£)	Planned fee 2008/09 (£)
Financial statements	89,100	81,249
Use of resources and value for money conclusion	30,000	26,392
Whole of Government Accounts	3,200	2,725
Total audit fee	122,300	110,366
Certification of claims and returns	34,195	30,122

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Aylesbury Vale District Council is £122,333. The proposed fee for 2009/10 is the scale fee.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008/09. A separate plan for the audit of the financial statements will be issued in December 2009. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Head of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. However, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Authority to mitigate the risk, and plan my work accordingly. My initial risk assessment is shown in the table below:

Risk	Planned work	Timing of work
The implementation of International Financial Reporting Standards (IFRS) presents a significant opinion risk to the Authority if it does not comply with the revised requirements or the accounts contain material error.	Monitor progress and undertake work in accordance with national guidance on arrangements to prepare for the transition to IFRS.	December 2009 onwards
Our coverage of the use of resources assessment will include the KLOE for natural resources. We have limited knowledge of the Council's arrangements in this area.	Extended use of resource review	October 2009 to March 2010
The Council is considering entering into a joint venture partnership for the management of its commercial estate. Proper arrangements will be required to develop the venture to achieve the ventures objectives. The proposal may give rise to complex accounting requirements.	Initially a watching brief until arrangements start to firm up and then dependant upon the end state of the partnership.	April 2009 to March 2010

Risk	Planned work	Timing of work
The Council is considering establishing a leisure trust to run its leisure facilities. Proper arrangements will be required to ensure the trust meets the Council's objectives for leisure services.	Initially a watching brief until arrangements start to firm up and then dependant upon the end state of the trust.	April 2009 to March 2010
The construction of the new theatre should be substantially finished in 2009/10. Proper arrangements will need to be established for the operation of the new enterprise.	A review of the proposed arrangements for running the theatre and the link into the Council's financial plans.	November to March 2010
The Council is a partner in the Buckinghamshire pathfinder project which will move into the implementation phase of a number of projects in 2009/10. These may have significant implications for the way the Council runs its business and its services. Proper arrangements will be need to guide the Council through the transition.	A review of the Council's arrangements for managing the impact of Pathfinder projects on the Council's arrangements.	October 2009 to March 2010

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2009/10 are:

District Auditor – Mick West 0844 798 8990

Audit Manager – Michael Yeats 0844 798 8973

Team Leader – Lucetta Fan 0844 798 8969.

I am committed to providing you with a high quality service. If you have any concerns or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Neil Childs, Head of Operations for the South East Region. (n-childs@audit-commission.gov.uk).

Yours sincerely

Mick West
District Auditor

cc. Michael Yeats, Audit Manager