

**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 1.

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
Names of Background documents

Progress report to 15 September 2009 Audit Committee

Aylesbury Vale District Council

Audit 2008/09

September 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, 2008/09 and 2009/10 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 Work on all aspects of this work is now complete; this is reflected in the work programme for 2007/08 at Appendix 1.
- 11 A final, agreed report on the capital project and capital programme management is attached as a separate agenda item.

2008/09 audit

- 12 The revised plan was agreed at the 24 June 2008 Committee.
- 13 Progress on our work programme for the 2008/09 audit is covered in Appendix 2.
- 14 As discussed at the June Audit Committee, 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. Appendix 3 sets out our requirements.
- 15 As agreed at the 29 June 2009 Audit Committee an appropriate report in response to this request is being provided at this meeting.
- 16 We have completed our reviews on the Buckinghamshire Pathfinder Project and Buckinghamshire Health Inequalities phase 2 review among public sector partners and discussed these findings with the relevant organisations within Buckinghamshire. As both reports feed in to the work on the organisational assessment we would welcome a view from members on the most appropriate means of reporting these findings to the Committee and more widely within the Council.

2009/10 audit

- 17 An outline fee letter was discussed at the last Audit Committee. We are now required to review these quarterly to assess whether any changes are required in the fee. Our last quarterly review at the end of July did not identify, at this stage, any change in the fee.

Key contacts

18 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

19 If you have any queries on the Comprehensive Area Assessment (CAA) process, which includes the organisational assessment and managing performance workstreams, 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	June 2009	June 2009	An final agreed report is attached as a separate agenda item.

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 has been 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		Based on our work to date, and as reported in the annual governance statement, we do not intend to produce a memorandum.
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		Our draft report is attached as a separate agenda item.

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		Our draft report is attached as a separate agenda item in the annual governance report.
VFM conclusion	Conclusion on the Council's arrangements for ensuring economy, efficiency and effectiveness.	Sept 2009	Sept 2009		Our draft report is attached as a separate agenda item in the annual governance report.
Grant claims (various)	Audit of a number of claims including NNDR and Housing Benefit claims.	June 2009	Nov 2009		Work is now largely complete.
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 have completed the fieldwork and the draft assessments are now subject to national moderation. The main points arising are disclosed in the annual governance report. A separate report will also be produced.

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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