

Audit Progress Report

September 2010

Hampshire County Council
2009/10 Audit

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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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2009/10 Audit Plan

Table 1 Position against 2009/10 audit plan

Report	AC key contact	Council contact	Expected date of final report	Recipient body committee	Date reported to audit committee	Comment
Audit fee letter and outline audit plan 2009/10	Alastair Rankine	Governance Committee	April 2009	Governance Committee	April 2009	Agreed
Financial statements						
Pre-statements audit memorandum	Hassan Rohimun	Nick Gibbins	May 2010	Report to officers	Not applicable	Our pre-statement audit work has been completed. A report was not been issued to officers because we did not identify any material weaknesses in internal controls. Our testing found that (for the systems identified as significant for the purposes of our opinion) key controls were operating effectively during the year.
Annual Governance Report (s) (ISA260)	Kate Handy	Audit Committee	September 2010	Audit Committee		To be presented to the September meeting of the Audit Committee.
County - Accounts opinion	Kate Handy	Audit Committee	September 2010	Audit Committee		An opinion should be issued following the September meeting of the Audit Committee.

Report	AC key contact	Council contact	Expected date of final report	Recipient body committee	Date reported to audit committee	Comment
Pension Fund - Accounts opinion	Kate Handy	Audit Committee	September 2010	Audit Committee		An opinion should be issued following the September meeting of the Audit Committee.
Final Accounts memorandum	Hassan Rohimun	Nick Gibbins	October 2010	Audit Committee		Not yet due
Use of resources						
Use of Resources - Financial year 2009/10	Hassan Rohimun / Charlotte Smith	Gary Smith/ Jon Pittam	November 2010	Cabinet		<p>The Audit Commission has written the Council outlining that we propose to bring work on CAA to a conclusion in the light of the announcement made by the government. As a result</p> <ul style="list-style-type: none"> • all area and organisational assessment will cease with immediate effect; and • we will not be issuing new scores for the use of resources, managing performance or overall organisational assessments. <p>Key messages from the work which we have undertaken on use of resources will now be communicated via the annual audit letter.</p>

2009/10 Audit Plan

Report	AC key contact	Council contact	Expected date of final report	Recipient body committee	Date reported to audit committee	Comment
VFM conclusion - Financial year 2009/10	Kate Handy	Audit Committee	September 2010	Audit Committee		The VFM conclusion should be issued following the September meeting of the Audit Committee.
Review of the Council's responsiveness to challenge	Hassan Rohimun / Steve Haworth	Gary Smith	Not applicable	Not applicable		Following our 2009 Use of Resources assessment we have concluded that the risk previously identified in our 2009/10 audit plan is no longer relevant. As such this review will not be undertaken under our code of audit responsibilities.
Annual Audit Letter 2010	Kate Handy	Cabinet	December 2010	Cabinet		Not yet due

Appendix A – 2009/10 Hampshire Pension Fund Opinion Plan

Introduction

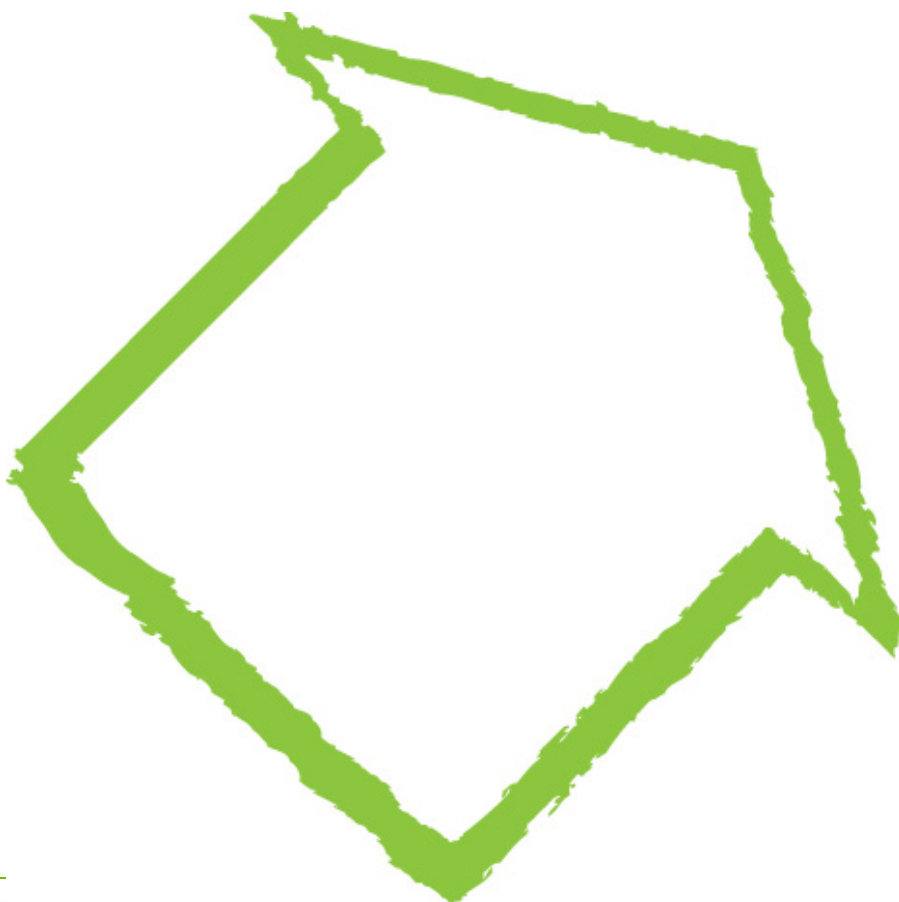
- 1 The Audit Committee is asked to note the Hampshire Pension Fund Opinion Plan which was agreed with officers after the June 2010 Audit Committee meeting.

Audit Opinion Plan

Hampshire Pension Fund

Audit 2009/10

June 2010



Audit opinion plan

Introduction

- 2 I have a responsibility to 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). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Pension Fund as at 31 March 2010.
- 3 This plan sets out the audit work that we propose to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
 - audit work specified by the Audit Commission for 2009/10;
 - current national risks relevant to your local circumstances; and
 - your local risks.

Responsibilities

- 4 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 5 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 6 We comply with the statutory requirements governing our audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.

Fee for the audit of financial statements

- 7 In my original fee letter, dated 31 March 2009, the fee for audit was based on my best estimate at the time and agreed at £70,900. This proposed fee was in line with the then published work programme and scale of fees 2009/10.
- 8 On the 25 May 2010 the Audit Commission issued a revised scale of fees for 2009/10. I have reviewed the work required in line with the revised scale of fees and now propose a reduction of £19,800 giving an indicative fee for the audit of £51,100. This compares to the Audit Commission revised scale fee for Hampshire Pension Fund of £46,480. The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales for 2009/10. Scale fees are based on a number of variables, including the type and size of the audited body.

Audit opinion plan

- 9 In setting the fee, we assumed that good quality working papers will be supplied to support the financial statements.
- 10 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 County Treasurer and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.

Specific actions Hampshire Pension Fund 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 Pension Fund could take and to provide ongoing audit support.

Audit process

Identifying opinion audit risks

- 12** 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 Pension Fund, including assessing your own risk management arrangements;
 - considering the financial performance of the Pension Fund;
 - 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 key information systems.

Identification of specific risks

- 13** We have not identified any specific risk to the current opinion audit that would require special audit consideration.

Testing strategy

- 14** We have produced a testing strategy which will consist of testing key controls and substantive tests of transaction streams and material account balances at year end.
- 15** Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities. For 2009/10, we have been able to use the results of the following pieces of work:
- general ledger; and
 - payroll.

Key milestones and deadlines

- 16** The Pension Fund 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 1.
- 17** We will meet with the key contact and review the status of all queries.

Audit process

Table 2 Proposed timetable

Task	Deadline
Control and early substantive testing	April 2010
Receipt of accounts	July 2010
Forwarding audit working papers to the auditor	July 2010
Start of detailed testing	July 2010
Present report to those charged with governance at the Audit committee	29 September 2010
Issue opinion	By 30 September 2010

The audit team

18 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
Kate Handy District Auditor	k-handy@audit-commission.gov.uk 0844 798 1740	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Hassan Rohimun Audit Manager	h-rohimun@audit-commission.gov.uk 0844 798 4632	Manages and coordinates the different elements of the audit work. Key point of contact for the County Treasurer.
Nigel Smith Principal Auditor	n-smith@audit-commission.gov.uk 0844 798 4645	Supervises and directs the work of the on site audit team.

Independence and objectivity

- 19 I am 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.
- 20 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 1.

Quality of service

- 21 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 me in the first instance. Alternatively, you may wish to contact Neil Childs (Head of Operations).
- 22 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.

Appendix 1 – Independence and objectivity

- 23** 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).
- 24** The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 25** 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.
- 26** 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. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 27** 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.

- 28 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.
- 29 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

The Audit Commission

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
