



Portchester Crematorium Joint Committee

Audit Plan 2007/08

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Status of our reports

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

1 Introduction

1.1 Purpose of the Plan

Mazars LLP are the external auditors of Portchester Crematorium Joint Committee (referred to below as 'the Joint Committee'), having been appointed by the Audit Commission.

This plan sets out the proposed audit work for 2007/08. It has been drawn up from our risk-based approach to audit planning and reflects:

- local risks and current national risks relevant to local circumstances, and
- the impact of International Standards on Auditing (UK and Ireland) (ISAs).
- The impact of the 2007 Local Government SORP.

1.2 Our responsibilities

In carrying out our external audit, we comply with the relevant statutory requirements. The audit is governed by the Audit Commission Act 1998. The specific audit requirements are laid down in the Code of Audit Practice (the Code) which is approved by Parliament.

The Code has been revised with effect from 1 April 2005. The key changes include:

- the requirement to draw a positive conclusion regarding the Joint Committee's arrangements for ensuring value for money in its use of resources; and
- a clearer focus on overall financial and performance management arrangements.

The audited body is responsible for reporting on these arrangements as part of its annual Statement on Internal Control.

1.3 Our team

The roles and responsibilities of the senior members of the audit and inspection team are as follows:

Team member	Role	Responsibilities
Stephen Christopher	Audit Engagement Leader	Overall responsibility for delivery of the audit, in accordance with the Code of Audit Practice and for liaison with Chief Officers.
Jason Foxwell	Audit Team Senior Manager	High level supervision of the audit.
Regis Hallez	Audit Team Leader	Day to day management of the audit, liaison with key staff, review of audit outputs.

1.4 Audit fee

The budgeted fee for the audit and inspection work planned for 2007/08 is £4,750 (2006/07: £4,500). The fee takes into account the Audit Commission's fee guidance contained within its operational plan. Further details are provided in Appendix B, including the assumptions made when determining the fee.

Amendments to the plan and the fee may be necessary if our risk assessment changes during the course of the audit.

2 External audit programme

2.1 Introduction

This section summarises our assessment and the planned response to the key audit risks which may have an impact on our objectives to:

- provide a conclusion on your use of resources, and.
- provide an opinion on your financial statements.

Our planned work takes into account cumulative audit knowledge. Where risks are identified that are not mitigated by your own risk management processes, including internal audit, we will perform work as appropriate to enable us to provide a conclusion on your arrangements.

The audit work will include follow-up of issues raised in previous years, to check the progress on the implementation of agreed recommendations.

We will issue a report to management on the matters arising from the audit work, if necessary. The key matters will be reported to the Joint Committee, in the Annual Governance Report (see Appendix B).

2.2 Value for money conclusion

The Code of Audit Practice requires us to issue a conclusion on whether you have proper arrangements in place for securing economy, efficiency and effectiveness in the use of your resources (the value for money conclusion). The Audit Commission has developed relevant criteria for auditors to apply in reaching our value for money conclusion as required under the Code of Audit Practice. In meeting this responsibility, we will review evidence that is relevant to the Joint Committee’s corporate performance management and financial management arrangements.

2.3 Financial Statements

Our audit of the 2007/08 financial statements will require us to give an opinion on:

- whether they present fairly the financial position of the Joint Committee and its expenditure and income for the year in question,
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

In undertaking our audit work, we will have regard to the requirements of the International Standards of Auditing, which replaced the UK Statements of Auditing Standards (SASs) with effect from the 2005/06 financial year.

We are also required to review whether the Statement on Internal Control has been presented in accordance with relevant requirements and to report if it does not meet these requirements or if the Statement is misleading or inconsistent with our knowledge of the Joint Committee.

On the basis of our preliminary work, we have identified the following audit risks:

Audit risks	Response
Revisions to the CIPFA SORP: There is a need to ensure changes to SORP requirements are taken on board.	We will liaise closely with accountant team and agree any impact on accounting treatment at an early stage.

In addition to the above, it will be necessary for the Joint Committee to ensure that it continues to maintain effective arrangements regarding the preparation of, and supporting evidence for, the Statement on Internal Control.

2.4 Audit Commission's requirements in respect of independence and objectivity

The Code requires that auditors appointed by the Audit Commission comply with Auditing Standards when auditing the financial statements. From 2005/06, these include ISA 260 "*Communication with those charged with governance*" (replacing SAS 610). Details of the requirements under this ISA and the Audit Commission's expectations are given in Appendix C.

One of the key requirements of the ISA is to report at least annually on all relationships that may bear on the Firm's independence and the objectivity of the audit engagement leader and audit staff. At this stage, we are not aware of any relationships that may bear on the independence and objectivity of the team which require to be disclosed. However, whilst we will try to ensure that we identify any potential conflicts as they arise (e.g. where Mazars provides personal accountancy or tax advice to Joint Committee members), we are not always aware of changes at each audited body. Therefore, we would be grateful if you could inform us if you become aware of any potential conflicts.

2.5 Questions or complaints

The nature and scope of the audit are governed by the Code and by the Audit Commission's "Standing Guidance to Auditors". Our work will be performed in accordance with these requirements. If you have any questions or complaints relating to our audit work, the Audit Commission encourages you to contact us in the first instance. Please put your concerns in writing to Mike Attenborough-Cox, National Public Services Partner. If you are not satisfied with our response, you have the right to complain to the Audit Commission. You also have the right to raise matters directly with them. The person to contact is the Complaints Investigation Officer, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ.

Audit fee

Audit area	Actual 2006/07	Plan 2007/08
Financial Statements	4,000	4,150
Use of resources	500	600
Total audit fee	4,500	4,750

Assumptions

In setting the fee we have assumed:

- you will inform us of significant developments and emerging risks impacting on our audit;
- Internal Audit meet the appropriate professional standards and we are able to place reliance on their work, where appropriate;
- officers will provide good quality working papers and records to support the accounts;
- officers will provide requested information within agreed timescales; and
- officers will provide prompt responses to any draft reports.

Where these requirements are not met, we 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. These may be required if:

- new risks emerge; and
- additional work is required of us by the Audit Commission or other regulators.

Appendix B

Planned outputs

Outlined below are the proposed outputs from the 2007/08 Audit Programme. We have included the statutory or required end dates for specific audit and inspection outputs, where applicable. The exact timing of elements of the work will be agreed with the Joint Committee in due course.

Our reports will be discussed and agreed with the appropriate officers before being issued to the Joint Committee.

Audit/Inspection area	Start date	Completion	Key contact	Planned output (Date)
Audit planning	September 2007	September 2007	Appointed Auditors	Audit Plan
Audit of financial statements / audit work in support of the VFM conclusion	June 2008	September 2008	Appointed Auditors	Annual Governance Report to those charged with Governance Opinion on financial statements and value for money in use of resources (by 30 September 2008) Management report on matters arising, if necessary

Audit Commission requirements in respect of independence and objectivity

Auditors appointed by the Audit Commission are subject to the Code of Audit Practice (the Code) which includes the requirement to comply with ISAs when auditing the financial statements. ISA 260 requires auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. Ethical standard 1 also places requirements on auditors in relation to integrity, objectivity and independence.

The ISA defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. The appropriate addressee of communications from the auditor to those charged with governance is the Portchester Crematorium Joint Committee.

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired. If auditors are satisfied that performance of such additional work will not impair their independence as auditors, nor be reasonably perceived by members of the public to do so, and the value of the work in total in any financial year does not exceed a de minimis amount (currently the higher of £25,000 or 20% of the annual audit fee), then auditors (or, where relevant, their associated firms) may undertake such work at their own discretion. If the value of the work in total for an audited body in any financial year would exceed the de minimis amount, auditors must obtain approval from the Commission before agreeing to carry out the work.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Audit Partner/Director or Regional Director;
- audit staff are expected not to accept appointments as lay school inspectors;
- firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned;
- auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors'

conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence;

- auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission;
- auditors are expected to comply with the Commission's policy for both the District Auditor Audit Partner/Director and the second in command (Senior Manager/Manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements);
- audit suppliers are required to obtain the Commission's written approval prior to changing any District Auditor or Audit Partner/Director in respect of each audited body; and
- the Commission must be notified of any change of second in command within one month of making the change. Where a new Audit Partner/Director or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.