

AUDIT COMMITTEE

27 SEPTEMBER 2007

ANNUAL AUDIT AND INSPECTION PLAN

Report from: Neil Davies, Chief Executive

Author: Mick Hayward, Chief Finance Officer

1 Summary

- 1.1 This report and attachment sets out the annual audit and inspection plan. The council's new external auditors (PKF) have produced the plan and it is reported to this committee to comply with governance requirements.

2 Decision issues

- 2.1 It is within the remit of this committee to take decisions regarding accounts and audit issues. The annual audit and inspection plan is presented to this committee for consideration.

3 Background

- 3.1 To adhere to the International Standard of Auditing (UK and Ireland) 260 it is necessary to communicate the annual audit and inspection plan for 2007/2008.
- 3.2 As the external auditor, independently appointed by the Audit Commission, PKF has a responsibility to audit and provide an opinion on the Statement of Accounts and to provide a conclusion on the use of resources.
- 3.3 The annual audit and inspection plan for 2007/2008 is attached as Appendix 1 to this report.
- 3.4 Handover arrangements have been agreed with the outgoing external auditors PricewaterhouseCoopers (PWC) and the plan sets out the proposed work to be carried out by PKF, PWC and the Audit Commission.
- 3.5 The plan sets out the following:-
- Key audit risks
 - Key outputs
 - Work of the auditors (PKF and PWC) and the Audit Commission on the accounts, use of resources and inspections.

4 Scope of the plan

- 4.1 The scope of the work to be carried out is determined by the Audit Commission's Code of Audit Practice and whilst most of this is unchanged from last year, there is a requirement to align the use of resources statement to financial years and this will occur for the year ended 31 March 2007. PWC will carry out the 2007 assessment to support their 2006/2007 value for money conclusion.
- 4.2 The scope of the audit and inspection work is set out in the attached plan.

5 Financial and Legal implications

- 5.1 The fees are calculated in accordance with national scales established by the Audit Commission. Auditors have some discretion to vary the charge and the amount proposed by PKF for audit fees (£295,000) is 10% below the Audit Commission guidelines for a 'medium' risk authority. However, the overall audit and inspection cost is £50,000 in excess of the existing approved revenue budget and compensating savings will need to be identified.
- 5.2 The International Standards on Auditing require the plan to be communicated to discharge governance requirements.

6 Recommendations

- 6.1 That the audit committee accepts the proposed annual audit and inspection plan for 2007/2008.

7 Background papers

- 7.1 The annual audit and inspection plan 2007/2008 (attached as Appendix 1).

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