

Audit Opinion Plan

Greater Manchester Integrated Transport Authority

Audit 2009/10

April 2010

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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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Introduction

- 1 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

- 2 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.
- 3 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.
- 4 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

- 5 The indicative fee for the audit is £64,000, as set out in our letter of 27 April 2009. This is 29% per cent below the Audit Commission's scale fee for Greater Manchester Integrated Transport Authority and reflects the amount of work we expect to perform on the ITA's audit. The fee is within the normal level of variation specified by the Commission. 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, size and location of the audited body.
- 6 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of accounts is consistent with that for 2008/09;
 - we receive the ITA's financial statements and good quality supporting working papers in accordance with the timescales agreed with the ITA; and
 - Internal Audit continues to meet appropriate professional standards.
- 7 I have set out the assumptions in more detail in Appendix 1. If the assumptions are not met, I will need to undertake additional work which is likely to result in an increased audit fee. Where this is the case, I will discuss this in the first instance with the ITA's Treasurer, and will issue supplements to the plan to set out any revisions to the risk and impact on the fee.
- 8 Further information on the basis for the fee is set out in Appendix 1.

Specific actions GMITA could take to reduce its audit fees

- 9 The Audit Commission requires its auditors to inform audited bodies of specific actions they could take to reduce audit fees. We will continue to work with ITA staff to identify any specific actions that the ITA could take, and will also discuss any actions that we can take to improve the efficiency of the audit. The proposed fee is, however, already close to the Audit Commission's suggested minimum fee and consequently the scope for further reductions is likely to be limited.

Auditors report on the financial statements

- 10 I will 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).
- 11 I am required to issue an audit report giving my opinion on whether the accounts present fairly the financial position of the ITA as at 31 March 2010 and its income and expenditure for the year then ended.

Identifying opinion audit risks

- 12 In accordance with auditing standards, we need a good understanding of the ITA and the environment it operates in, 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 ITA, including assessing your own risk management arrangements;
 - considering the financial performance of the ITA;
 - 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 ITA's information systems.

Identification of specific risks

13 We have considered specific risks appropriate to the ITA's opinion audit, and have set these out below.

Table 1 **Specific risks**
Specific opinion risks identified

Risk area	Audit response
The Greater Manchester Accessible Transport Trust (GMATT) financial statements will be consolidated into the ITA's group accounts for the first time in 2009/10 and there is a risk of incorrect consolidation.	We have reviewed and commented on the ITA's re-stated opening (2008/09) group balance sheet following consolidation of GMATT. We will continue to liaise with GMATT's accountant and with Greater Manchester Accessible Transport Limited's auditors to secure timely preparation and audit of GMATT's 2009/10 financial statements, to allow sufficient time for consolidation with the ITA's financial statements.

Testing strategy

- 14 On the basis of risks identified we will produce a testing strategy which will consist of testing key controls and substantive tests of transaction streams and material account balances at year end.
- 15 Our testing will be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing). Where possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit.
- 16 We will liaise with the ITA over the specific risk identified in Table 1 before the financial statements are available for audit. Resolving this issue early will help to avoid any late surprises and unexpected changes to the accounts. It will also help with the smooth running of the audit.
- 17 Wherever possible, we seek to rely on the work of Internal Audit to inform our work.

Key milestones and deadlines

- 18 The ITA is required to prepare the financial statements by 30 June 2010 and we have agreed that the statements will be available on 28 June with working papers to follow by 30 June. 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 2.
- 19 We have discussed our working papers requirements with you.
- 20 Each week during the financial statements audit we will meet with the key contact and review the status of all queries. We will, however, agree to meet more or less frequently subject to the number of issues arising.

Table 2 Proposed timetable

Task	Deadline
Control and early substantive testing	March 2010
Receipt of accounts	28 June 2010
Audit working papers available to the auditor	by 30 June 2010
Start of detailed testing	26 July 2010
Progress meetings	Weekly
Present report to those charged with governance at the Audit committee	By 30 September 2010
Issue opinion	By 30 September 2010

The audit team

21 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
Mick Waite District Auditor	m-waite@audit-commission.gov.uk 0844 798 7044	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Authority's Clerk and Treasurer.
John Farrar Audit Manager	j-farrar@audit-commission.gov.uk 07816 960 203 0844 798 7068	Manages and coordinates the different elements of the audit work. Key point of contact for Treasurer and the Authority's Accountant.
Andrew McNeil Principal Auditor	a-mcneil@audit-commission.gov.uk 0161 912 4624 0844 798 7305	Team Leader who manages day to day delivery of the interim and final accounts audit.

Independence and objectivity

- 22 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.
- 23 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 2.

Meetings

- 24 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

The audit team

Quality of service

- 25 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 the North West Head of Operations, Terry Carter.
- 26 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.
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Planned outputs

- 27 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.
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Table 4 **Planned outputs**

Planned output	Indicative date
Opinion audit plan	April 2010
Annual governance report	September 2010
Final accounts memorandum (if required)	September 2010
Auditor's report giving an opinion on the financial statements	September 2010

Appendix 1 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the ITA with reference to:
 - our cumulative knowledge of the ITA;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with ITA officers; and
 - liaison with Internal Audit.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
 - you will inform us of significant developments impacting on the audit;
 - Internal Audit continues to meet the appropriate professional standards;
 - good quality working papers and records will be provided to support the financial statements by 30 June 2010;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 2 – Independence and objectivity

- 1 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).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 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
- 4 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.
- 5 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.

- 6 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.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 3 – Working together

Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

Table 5 Proposed meetings with officers

ITA officers	Audit Commission staff	Timing	Purpose
Clerk to the Authority	District Auditor (DA) and Audit Manager (AM)	Twice yearly	General update plus: <ul style="list-style-type: none"> • April - Audit Plan • September - Annual Audit Letter
Treasurer	District Auditor (DA) and Audit Manager (AM)	Quarterly / as required	General update plus: <ul style="list-style-type: none"> • April - Audit Plan • September - Annual Governance Report • September - Annual Audit Letter.
ITA Accountant	AM/AM and TL	As required	General update plus: <ul style="list-style-type: none"> • February - pre-statements planning and interim audit • April - Audit Plan • July / August - accounts progress • September - Annual Governance Report • September - December - grants audits
Head of Internal Audit	AM/AM and TL	Quarterly	General update and liaison
Audit Committee	DA and AM	As determined by the Committee	Formal reporting of: <ul style="list-style-type: none"> • Audit Plan • Annual governance report • Other issues as appropriate

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
- reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.