

Audit plan

Oxfordshire Pension Fund

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy to you.

The Statement summarises where these responsibilities begin and end and I undertake my audit work to meet them.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice.

My audit of the accounting statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Accounting statements and Pension Fund Annual Report

I will carry out the audit of the Pension Fund accounts within the Council's statement of accounts under the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I also report on the accounting statements in the Pension Fund Annual Report. I must issue audit reports giving my opinion on whether the accounting statements give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Pension Fund to identify any risk of material misstatement (from either fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Fund, including assessing your own risk management arrangements;
- considering the Fund's financial performance;
- 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 in the Fund's information systems.

Identification of significant risks

I have considered the additional risks relevant to the audit of the accounting statements of the Pension Fund and have identified no significant risks.

Testing strategy

My audit involves:

- review and re-performance of the work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of transactions and amounts.

I aim to:

- rely as much as possible on the work of your internal auditors, subject to review and re-performance; and
- do as much work as I can before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 1: **Testing**

	Review of internal audit	Reliance on the work of other auditors	Reliance on work of experts	Controls testing	Substantive testing
Interim visit	Key financial systems			Control accounts Journal controls	
Final visit		SAS70 auditor reports for fund managers and custodians	Pensions liabilities – Barnett Waddingham and my consulting actuary Price Waterhouse Coopers. Investment assets – Bank of New York Mellon		All material accounts balances and amounts Year-end feeder system reconciliations

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Pension Fund Annual Report

I will also review and report on the accounting statements included in the Pension Fund's Annual Report prepared under Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

Key milestones and deadlines

The Pension Fund must prepare accounting statements by 30 June 2012. I aim to complete my work and issue my opinions on the accounting statements in the Statement of Accounts and the Pension Fund Annual Report by 30 September 2012.

Table 2: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	Spring 2012 – to be agreed	Annual Governance Report
Opinion: receipt of accounts and supporting working papers	Late June 2012	
Opinion: substantive testing	Late June – September 2012	Annual Governance Report
Present Annual Governance Report at the Audit Committee	19 September 2012	Annual Governance Report
Issue opinion on accounting statements included in the Statement of Accounts	By 30 September 2012	Auditor's report
Issue opinion on accounting statements included in the Pension Fund Annual Report	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 3: **Audit team**

Name	Contact details	Responsibilities
Maria Grindley District Auditor	m-grindley@audit-commission.gov.uk 0844 798 8952	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive and Assistant Chief Executive and Chief Finance Officer.
Mary Fetigan Audit Manager	m-fetigan@audit-commission.gov.uk 0844 798 8978	Manages and coordinates the different elements of the audit work. Key point of contact for the Assistant Chief Executive and Chief Finance Officer and the Assistant Head of Oxfordshire Customer Services.
Nicola Batchelor Principal Auditor	n-batchelor@audit-commission.gov.uk 0844 798 4454	Team leads the key elements of audit work and attends Pension Fund Committee as required.

Independence and quality

Independence

I comply with the ethical standards issued by the APB, and with the Commission's additional requirements for independence and objectivity as summarised in Appendix 1.

Auditing and ethical standards require me to report to you relationships which may affect my independence and objectivity, or those of the Audit Commission or the audit team. I am not aware of any.

Quality of service

I aim to provide you with a fully satisfactory audit service. However, if you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and do what he can to resolve the position.

If you are still not satisfied, you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The proposed fee for the audit is £39,414 as set out in my letter of 6 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £39,414.

Variations from the scale fee occur only where my assessments of audit risk and complexity differ significantly from those reflected in the 2010/11 fee. I have not identified any significant differences, so I have set the fee at the scale fee.

Assumptions

I show my assumptions in setting the fee in Appendix 2. Where these assumptions are not met, I may need to undertake more work, which may increase the audit fee. Where this is the case, I will discuss this first with Assistant Chief Executive and Chief Finance Officer and I will issue a supplement to the plan to explain any revisions to the risk and the fee impact.

Total fees payable

As well as the fee for the audit, the Audit Commission will charge for the provision of non-audit services under the Audit Commission's advice and assistance powers where you have agreed this.

Based on current plans the fees payable are as follows.

Table 4: **Fees**

	2011/12 proposed	2010/11 actual	Variance
Audit	39,414	37,678	1,736
Non-audit work	0	0	0
Total	39,414	37,678	1,736

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 5: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid 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.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for 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.</p>	<p>All audit staff must declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards are introduced to reduce the threat to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of auditor and senior audit staff assignments.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff must declare any gifts or hospitality, whether or not accepted. They may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>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.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure independence is not compromised.

Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards

Appendix 2 – Basis for fee

Assumptions

In setting the fee, I have assumed the following.

- The risk to the audit of the accounting statements is not significantly different from that identified for 2010/11. For example:
 - internal controls are operating effectively; and
 - I secure the co-operation of other auditors.
- Internal Audit meets professional standards.
- Internal Audit undertakes enough work on all systems providing material figures in the accounting statements for me to rely on it.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with them;
 - the full text of the Pension Fund Annual Report promptly;
 - other information requested within agreed timescales; and
 - prompt responses to draft reports.

Where these assumptions are not met, more work will be necessary, which is likely to mean an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The Pension Fund accounts in the annual statement of accounts that the Authority must prepare. These report the financial performance and financial position of the Fund in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Governance Statement

The annual report on the Fund's systems of internal control supporting how the Fund achieves its policies, aims and objectives.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to the [Pension Panel] before issuing the audit opinion.

Audit of the accounts

The audit of the accounts of an audited body comprises all work auditors carry out under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing to meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB containing basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB containing basic principles on independence, integrity and objectivity which apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Internal control

The whole system of controls, financial and otherwise, that the Pension Fund establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Pension Fund Annual Report

The annual report, including accounting statements, that the Pension Fund must publish under Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

Those charged with governance

Those entrusted with the supervision, control and direction of the Pension Fund. This term includes the members of the Authority, [the Pension Panel] and the Audit Committee.

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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.

