

Our reference Central/HA255/08

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Dear Kamal

Supplementary Audit opinion plan 2007/08

You will recall that I issued the initial audit plan for 2007/08 on 15 May 2007 which set out the work that I proposed in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. I am required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion work. As the initial audit plan was produced at the start of the financial year for fee purposes, it was not possible to specify these risks. I am now in a position to do this as the opinion work is about to commence, and this letter represents my supplementary opinion plan.

The above standard requires me to:

- identify the risk of material misstatements in your accounts;
- plan audit procedures to address these risks; and
- ensure that the audit complies with all relevant auditing standards.

I have therefore considered the additional risks that are appropriate to the current opinion audit and I have set these out below.

Risk	Residual risk	Audit response
Changes to the SORP relating to: <ul style="list-style-type: none"> • leases • financial instruments. 	Yes	Consider whether the disclosures made in the accounts are consistent with the SORP Consider whether a PPA is required in relation to these disclosures
Fixed asset register – the new fixed asset register is not yet fully operational	Yes	Substantive testing of fixed asset figures to obtain necessary assurance

Risk	Residual risk	Audit response
Work on the LSVT has an issue regarding dwellings included and operated within the HRA, but for which the Council could not demonstrate legal title, and which have been transferred back to the Howard Symington Watson Memorial Trust (HSWMT)	Yes	Review the transactions in the accounts and obtain a Peer Review of the proposed audit approach to this issue Review of disclosures within statement
Group accounts including those of the HSMWT may be required, following the transfer of dwellings to HSMWT which will produce material sums in the Charity's accounts.	Yes	Consider whether the disclosures made in the accounts regarding group accounts are consistent with the SORP.
The Statement of Internal Control has been replaced by an annual governance statement.	Yes	Review of AGS to ensure compliance with updated requirements.

In addition to the risks highlighted above our interim audit was delayed due to:

- slippage in the internal audit programme. Work on which we intended to place reliance was not complete at our programmed visit, and had to be revisited at a later stage
- the quality of work undertaken by internal audit on the main accounting system was not entirely satisfactory, and we were unable to place complete reliance on it.
- E-financials being upgraded during the week of our agreed audit visit. Again this resulted in an additional audit visit having to be made once other programmed work at other sites had been completed.

In the original 2007/08 audit plan, the estimated fee for the opinion audit was £60,614. Having considered the above risks we remain satisfied that the original estimate for 2007/08 is still appropriate at this stage. However, given the possibility that we will need to undertake additional testing this year to address the risks set out above, the possibility of further issues emerging, and the delays to the interim audit outlined above, we will need to keep the proposed fee under review as our opinion audit work progresses. Should any change to the proposed fee be considered necessary, we will inform you at the earliest opportunity.

Yours sincerely

Neil Bellamy
District Auditor