

**Our reference** NO01408A/HD

19 May 2008

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Dear Barry

## **Supplementary Audit Opinion Plan 2007/08**

You will recall that we issued the initial audit and inspection plan for 2007/08 in May 2007 which set out the work that I proposed in order to satisfy my responsibilities under the Audit Commission's Code of Audit Practice. I am required by professional auditing standards to specify the detailed risks that I need to consider as part of my opinion work.

The initial plan noted that we had not included a full risk assessment for our audit of the financial statements as many of the specific risks would not become apparent until after the completion of the 2006/07 audit. The plan also stated that we would issue a separate opinion audit plan for our audit of the financial statements after the completion of the 2006/07 audit. I am now in a position to do this, and this letter represents my supplementary audit opinion plan.

Professional auditing standards require me to:

- identify the risk of material misstatements in the Council's 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 the more significant risks are set out below:

Risk	Residual risk	Audit response
The accounts opinion for 2006/07 was disclaimed. A significant number of less fundamental issues were also detected as reported in our Annual Governance and Regularity Reports.	Yes	A highly substantive audit approach will need to be adopted in 2007/08. Progress on addressing the issues included in the audit opinion and the Annual Governance and Regularity Reports will be reassessed. We will need to consider the impact of the prior year qualifications on the 2007/08 opinion.
Working papers were inadequate in 2006/07. In many areas there was a lack of sufficient, appropriate audit evidence.	Yes	We recognise that the Council has made progress in this area. Should the substance of the audit evidence be unsatisfactory this will increase the amount of substantive audit work that we need to carry out.
Internal Audit's work on fundamental financial systems is behind schedule and there are therefore significant limitations in our ability to place full reliance on it. Additionally, there have been some significant changes in finance personnel.	Yes	Systems and key controls work will be carried out by the audit team placing reliance on Internal Audit work where this is possible, but such reliance is expected to be extremely limited at best. Change of finance personnel may impact on the level of work that is necessary.  Findings from Internal Audit work will be considered in terms of risks arising as reports are published in draft.
System weaknesses/issues were reported in 2006/07. System and procedure notes were assessed as inadequate in 2006/07, and this impacted on the speed at which we were able to assess the accounting systems to comply with International Auditing Standards.	Yes	We will reassess the risks on completion of the 2007/08 pre-statements work. This is likely to result in additional substantive audit testing in 2007/08.
The requirements of the new SORP.	Yes	Maintain a 'watching brief' on closedown arrangements. Risk will be reassessed on receipt of the draft financial statements and the working papers.

In my original audit plan, the estimated fee for the financial statements opinion audit was based on my best estimate at the time and agreed at £80,902 (out of a total 2007/08 audit and inspection fee of £144,831). Having considered the above risks I consider that an adjustment is therefore required to the fee. Our current estimate is that the fee should increase by £38,115.00 (excluding VAT), and I have arranged for this to be billed in three instalments commencing in June 2008. This revised position has already been referred to in the fee comparatives for the 2008/09 Audit Plan.

It is possible that we have underestimated the impact of the above risks, or further risks may be identified as the audit progresses. I will, of course, keep you informed of any changes/additional risks that may lead to the need for further additional fees, which will be discussed and agreed with you in accordance with paragraph 11 of Appendix 2 of the original plan.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andy Perrin', written in a cursive style.

Andy Perrin  
*District Auditor*

Cc: Helen Devlin – Audit Manager