

Our reference BR006/gb

22 June 2009

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Dear Richard

Supplementary opinion audit plan 2008/09

I issued the audit plan for 2008/09 in June 2008 which set out the work that was proposed to satisfy an appointed auditor's responsibilities under the Audit Commission's Code of Audit Practice.

As this plan was produced at the start of the financial year to give the Council an early indication of the proposed fee, it was not possible to establish if there were any detailed risks that would need to be considered as part of the audit opinion work to be done in Summer 2009. I have recently made an assessment of the risks.

Under International Standard on Auditing (United Kingdom and Ireland) 300, I am required to send you a supplementary opinion plan before the audit opinion work begins. As part of this I have:

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

Based on my assessment, I have identified two matters that I need to bring to your attention:

Risk	Audit response
<p>The Council's liability for equal/back pay is substantial and the Statement of Recommended Practice sets out the disclosure requirements within the accounts and the accounting treatment is potentially complex. There is a risk of incorrect disclosure which could lead to a material misstatement.</p> <p>The Council has obtained a substantial capitalisation directive, but will support the cost by the use of reserves earmarked for other purposes and there could be an impact on the Council's financial health.</p>	<p>We have been in discussion with the Council since January 2009 regarding this risk. As yet, we have not seen the detailed accounting entries planned nor the disclosure proposed. We will review this during our post statements visit.</p> <p>We have received a document detailing the financing of the payments to be made and this will be reviewed as part of our consideration of the Council's overall financial health.</p>
<p>The valuation of the Council's land and buildings is likely to have been adversely affected by the economic downturn. In these circumstances it will be necessary to consider the impact on the Council's accounts and the accounting treatment adopted.</p>	<p>We will review the basis on which the Council has conducted any impairment review and associated accounting entries.</p>

In the audit plan for 2008/09, the estimated fee for the opinion audit was agreed at £187,925 which was part of a total audit fee of £323,468. I am satisfied that the above fee remains appropriate but will keep the fee under review as the opinion audit progresses. If I need to amend the fee subsequently, I will first discuss it with you.

Yours sincerely

Helen Thompson
District Auditor