

4 February 2009

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Dear Chris

Supplementary opinion audit plan 2008/09

You will recall that I issued my initial Audit Plan for 2008/09 in May 2008. This set out the work that I proposed in order to satisfy my responsibilities under the Audit Commission’s Code of Audit Practice. As this Plan was produced at the start of the financial year to give you an indication of the proposed fee, I was not able at that time to specify the detailed risks that I would need to consider as part of my audit opinion work.

I am now in a position to do this as the opinion work is about to commence. This letter represents my supplementary opinion plan under International Standard on Auditing (United Kingdom and Ireland) 300.

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
The Council established an ALMO, Tower Hamlets Homes, during 2008/09. The Council is currently	Yes	We will review the Council's assessment of the need to prepare group accounts for the ALMO. We

Risk	Residual risk	Audit response
reviewing whether it is required to produce group accounts to reflect the financial relationship between the Council and the ALMO.		will undertake specific audit procedures to provide assurance over the Council's financial transactions with the ALMO.
The current economic climate increases the likelihood of impairments occurring to Council fixed assets and financial instruments.	Yes	We will review whether the Council has taken appropriate steps to identify potential impairments and if they have occurred, ensure that these have been accounted for in accordance with the SORP, FRS11 and FS26.
<p>Our 2007/08 Annual Governance Report highlighted the following issues in respect of last year's draft financial statements:</p> <ul style="list-style-type: none"> • HRA subsidy receivable had not been calculated using the latest available guidance; • the cash flow statement contained a number of material errors and had to be re-drafted; and • internal debtors and creditors had not been excluded from the consolidated accounts. 	Yes	We will ensure that items reported in our 2007/08 Annual Governance Report have been addressed appropriately during the 2008/09 closedown.
There have been changes in the key staff responsible for preparing the draft financial statements.	Yes	We will hold regular liaison meetings with relevant Council officers during the closedown process. We will ensure arrangements are in place to address all issues arising from the previous year's audit and changes arising from the 2008 SORP.

In my initial Audit Plan, the estimated fee for the opinion audit was based on my best estimate at the time and agreed at £284,000 (including Whole of Government Accounts) as part of a total audit fee of £442,000.

I am satisfied that the original fee estimate for the opinion audit was appropriate and no adjustment is therefore required to the fee at this stage. However, I 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

Jon Hayes
District Auditor