London Borough of Enfield

External Audit and Inspection Plan 2008-09

May 2008
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1 Introduction

Background

1.1 This plan sets out the audit and inspection work to be undertaken for the 2008-09 financial year. The plan is based on the Audit Commission’s risk-based approach to audit planning and the requirements of Comprehensive Area Assessment ("CAA"), which from 1 April 2008 replaces Comprehensive Performance Assessment ("CPA"). This plan reflects:

- Our Code of Audit Practice responsibilities
- Audit and inspection work specified by the Audit Commission for 2008-09
- Current national risks relevant to the Council’s local circumstances
- Our initial assessment of the Council’s local risks and improvement priorities, based on meetings with senior officers, internal audit and review of key Council documents.

1.2 During 2008-09, the role of the Relationship Manager will be replaced by the post of a Comprehensive Area Assessment Lead ("CAAL"). The CAAL will provide the focal point for the Commission’s work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities. Our work as auditors feeds into this process via the use of resources assessment and other risk based work as well as appropriate dialogue with the CAAL.

1.3 As the Audit Commission has not completed its audit for 2007-08, the audit planning process for 2008-09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Our responsibilities

1.4 We comply with the statutory requirements governing our audit and inspection work, in particular, the Audit Commission Act 1998, the Local Government Act 1999 and the Code of Audit Practice (the Code). Further details of inspection work, to be carried out by the Audit Commission, are provided in section seven of this plan.
1.5 The Code defines auditors' responsibilities in relation to:

- Audited bodies' arrangements for securing value for money in their use of resources (section two)

- The financial statements, including the annual governance statement (section three).

1.6 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.

1.7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

1.8 While the Council's Pension Fund remains part of the overall responsibilities of the Council, in reality it is substantially administered separately. The Audit Commission has recognised this and that the accounting and audit arrangements should also be separate. Therefore, in accordance with the Commission's instructions, we are issuing a separate audit plan for the Fund's audit and this element of our audit work will also be subject to a separate audit fee, in line with the Commission's fee guidance for pension fund audits. This plan will be issued after the outgoing auditors have completed their pensions work in 2007/08 and the Audit Commission has clarified the scope of the 2008/09 audit.
2 Use of Resources Audit

**Introduction and Approach**

2.1 The Code of Audit Practice ("the Code") requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, having regard to a standard set of relevant criteria, issued by the Audit Commission. In meeting this responsibility, we will review evidence that is relevant to the Council’s corporate performance management and financial management arrangements, and follow up the Audit Commission’s work from previous years to assess progress in implementing agreed recommendations.

2.2 In accordance with the Code of Audit Practice, we are required to complete a number of pieces of work to support our Value for Money conclusion. These are set out in the following paragraphs, as well as in Appendix B.

**Use of Resources Assessment**

2.3 This will be the first year of a new use of resources assessment, which will form an element of the CAA framework. The Audit Commission has specified that auditors will complete a use of resources assessment for 2008-09.

2.4 There have been significant changes to the criteria for 2008-09. Appendix A outlines the criteria to be assessed as part of our use of resources work and our VFM conclusion. For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate these risks, and plan our work accordingly. We will ensure that we work with officers and members (through the Audit Committee and more widely) to ensure that they are fully informed of the new Use of Resources criteria and guidance, so that the Council is prepared for the process.

2.5 Additionally, our initial risk assessment for wider use of resources assessment and work is shown in Table One overleaf. This will be updated through our continuous planning process as the year progresses.
## Risk Assessment and Audit Response

### Table One: Local Risk Based Work to Support the 2008-09 Value for Money Conclusion

<table>
<thead>
<tr>
<th>Risk</th>
<th>Proposed audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership working is a central feature of current government policy and focus, and audited bodies will be assessed on the outcomes to citizens across the public sector as a whole.</td>
<td>We will review arrangements for partnerships under 'managing the business' theme in the new Use of Resources. In addition we will carry out the Audit Commission’s Health Inequalities review in conjunction with Enfield PCT where we are also the auditors. This will provide an effective test of the quality of partnership working in a topic where declining economic fortunes in parts of the borough may play a pivotal part in this review.</td>
</tr>
<tr>
<td>The Local Area Agreement (LAA2) has been revised and there are now 35 targets that are comprised within the LAA. The Council is a key player in the delivery of the LAA and should continue to work closely with its partners to ensure the revised LAA is a success.</td>
<td>We will monitor the progress made by the Council in developing the ALMO, and consider this as part of our Use of Resources work.</td>
</tr>
<tr>
<td>The ALMO commenced on the 1 April 2008, and this brings a clear opportunity for the Council to develop the management and quality of its housing stock. However, the Council will need to ensure there is a keen focus upon the improvement agenda to ensure that the benefits of developing the ALMO can be realised in a timely manner.</td>
<td>We understand that sound progress has been made and reflected in resident satisfaction surveys.. Progress in this area is key in demonstrating effective partnership working and the achievement of value for money. We will continue to monitor this area as part of our 2008/09 work.</td>
</tr>
<tr>
<td>We understand there has been a decline in the overall economic fortunes of the area. The Council is determined to reverse the economic trends and in 2006 launched an ambitious Place Shaping Strategy to tackle the deprivations agenda.</td>
<td>Auditors’ work on the new Use of Resources will be the main area in which workforce issues will be considered.</td>
</tr>
<tr>
<td>As with other Councils, the risk of inadequate workforce planning and capacity can impact on delivery of ambitions and priorities, further continuous improvement and strategic planning. We understand that the Council is developing a LEAN programme that will focus upon efficiency gains whilst ensuring there are no reductions in services.</td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Proposed audit response</td>
</tr>
<tr>
<td>------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>The Council is currently engaging in a major project to reduce the myriad of financial and other systems that have been developed over the year. This activity will need to continue to be managed in a controlled and cost effective manner</td>
<td>Progress in this area will be considered under the Governing the Business Theme</td>
</tr>
<tr>
<td>Leisure Centres within the Borough were part of a Leisure Trust that subsequently went into liquidation. Although the current provider has overseen a stabilisation of the financial position and an increase in visitor numbers to the Leisure Centres, we understand that the Council is currently considering the options in respect of how this service will be provided and structured in the future.</td>
<td>We will review the progress in this area through update meetings with management and review of Council minutes.</td>
</tr>
<tr>
<td>The Council is continually developing its commissioning arrangements in adult services including reviews of commissioners, regional and pan London projects and systems for reducing costs</td>
<td>Procurement is a pivotal part of the Governing the Business Theme in Use of Resources and a review of the financial management of commissioning in adult care will support our conclusion</td>
</tr>
<tr>
<td>All types of public body will need to be preparing for and responding to the sustainability agenda.</td>
<td>Auditors’ work on Use of Resources will be the main area in which sustainability issues will be considered.</td>
</tr>
<tr>
<td>Adult Social Services was scored as one star and this represented a decrease in scoring from the previous CSCI assessment.</td>
<td>We will monitor the progress that is made in this area as part of our Use of Resources work.</td>
</tr>
<tr>
<td>The Council hopes to become part of the Building Schools for the Future programme in 2008/09. This programme represents a significant commitment of management time and resources</td>
<td>We will monitor progress made by the Council to ensure that robust project management arrangements are put into place.</td>
</tr>
</tbody>
</table>
Data Quality

2.6 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:

- Stage 1 – review of corporate arrangements
- Stage 2 – analytical review

2.7 Work will be focused on the overall arrangements for data quality, particularly on the responsibility of the Council to manage the quality of its data.

Other mandated work

2.8 The Council participates in the National Fraud Initiative, which is the Audit Commission’s computerised data matching exercise designed to detect fraud perpetrated against public bodies. From 2008/09, work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.
3 Financial Statements Audit

Introduction and Approach

3.1 The Council’s financial statements are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- Ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority
- Maintain proper accounting records
- Prepare financial statements, which present fairly the financial position of the Council and its expenditure and income in accordance with the Statement of Recommended Practice.

3.2 The auditor is required to audit the financial statements and to give an opinion as to:

- Whether they present fairly the financial position of the Council and its expenditure and income for the year in question
- Whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
- Whether the Annual Governance Statement ("AGS") has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.
3.3 In order to gain sufficient assurance to support our opinion on the financial statements, we will carry out a review of:

- The Council’s arrangements for the preparation of its financial statements, the AGS and the Whole of Government Accounts ("WGA") consolidation pack

- Internal audit, to determine the extent of reliance we can place on it for the purposes of our audit

- The internal control framework for key financial systems

- The materiality of balances and transactions impacting on the financial statements

- The key risks relevant to the preparation and audit of the financial statements.

3.4 The adoption of International Financial Reporting Standards ("IFRS") within the public sector has been deferred until 2009/10, but local government remains on target to implement IFRS in 2010/11.

**Risk Assessment and Audit Response**

3.5 We are required to issue an opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 ("SoRP"). We will carry out our audit of the accounts in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board ("APB").

3.6 Our audit will be risk based. We have not yet carried out a detailed risk assessment for our audit of the 2008-09 accounts, as the Audit Commission has yet to undertake the audit of the 2007-08 accounts. Our high level risk assessment, summarised in Table Two below, reflects developments and issues, which may present a risk to the Council’s timely and accurate preparation of its accounts. We will keep our risk assessment under review, and prepare our audit strategy document in June 2009 to take account of our work in continually assessing risks to the audit of the financial statements.
<table>
<thead>
<tr>
<th>Area</th>
<th>Audit Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Although IFRS is not being implemented until 2010/11, it is important that the Council has the necessary arrangements in place to adequately prepare the financial statements by this time. We note that the Council has a number of PFI schemes and leases for which the accounting treatment will need to be reviewed in the context of IFRS.</td>
<td>We will work with the Council to ensure that necessary adjustments take place. This will include working with the Council through senior management presentations.</td>
</tr>
<tr>
<td>As 2008/09 is the first year of the ALMO, there is a possibility that this would need to be consolidated into the main accounts.</td>
<td>We will discuss this matter with the Finance team after the audit of the 2007/08 accounts has been completed.</td>
</tr>
<tr>
<td>The Housing Benefits system has recently been upgraded and we are pleased to note that this has resulted in an improvement in service levels. However, we understand there have been some issues in the past relating to the Benefits system that has resulted in errors being included within the return.</td>
<td>We will review the results of the audit work being undertaken by the outgoing auditors in 2007/08, and consider whether there are any issues that we should incorporate into our planning work for 2008/09.</td>
</tr>
</tbody>
</table>
4 Grant Claims and Returns

Introduction and Approach

4.1 In addition to our Code responsibilities, we are required by the Audit Commission to certify the Council’s grant claims and returns, in accordance with the following arrangements:

- Claims and returns below £100,000 are not subject to certification
- Claims and returns between £100,000 and £500,000 are subject to a reduced, ‘light–touch’ certification
- Claims and returns over £500,000 will be subject to a certification approach determined by the auditor’s assessment of the control environment and management preparation of claims.

4.2 Robust arrangements for preparing, albeit a small number of claims and returns are important to mitigate a number of risks, including:

- Increased costs to the Council, both in terms of incurring additional fees and also officer time in dealing with issues arising from certification work
- Delayed payment of grant or financial penalty from grant paying departments, due to delays in claim certification
- Risk of unexpected grant repayment due to amendments and qualifications
- Potential adverse impact on external assessment of the Council’s governance and internal control arrangements.

4.3 To assist the Council in ensuring that arrangements for preparing 2008-09 claims and returns are robust, we will:

- Follow up on any issues raised during 2007-08 certification work in relation to the Council’s preparation of grants
- Agree the timetable and estimated budget in advance of carrying out our certification work and prepare a detailed audit plan for 2008/09;
- Prepare a grants report, summarising issues from the 2008-09 audit, to facilitate continuous improvement.
5 2008/09 Inspection plan

CPA and inspection

1 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.

2 The Audit Commission’s CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.

3 The Council’s CPA category is, therefore, a key driver in the Commission’s inspection planning process. For CPA 2007, the Council was categorised as four stars.

4 We have applied the principles set out in the CPA framework, ‘CPA – The Harder Test’, recognising the key strengths and areas for improvement in the Council’s performance.

5 Strengths in the Council’s performance include:

- Good progress in priority areas such as environmental services and community safety, with four-fifths of performance indicators demonstrating improvement, one of the highest figures in London;
- Forward planning is sound, with clear objectives backed up by specific actions and timescales; and
- The Council monitors performance well and has the capacity, skills and financial resources to deliver its plans.

6 Areas for improvement in the Council’s performance include:

- Maintaining its focus on ensuring that costs are commensurate with performance;
- Improving educational attainment and adult social care;
- Reviewing and improving arrangements for the management of assets; and
- Accelerating the momentum in developing arrangements for the planned arms-length management organisation (ALMO).

7 On the basis of the planning process we have identified where inspection activity will be focused for 2008/09 as follows.
### Table Three: Summary of inspection activity

<table>
<thead>
<tr>
<th>Inspection Activity</th>
<th>Reason/impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Area Assessment Lead (CAAL) role</td>
<td>To act as the Commission’s primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.</td>
</tr>
<tr>
<td>Direction of Travel (DoT) assessment</td>
<td>An annual assessment, carried out by the CAAL, of how well the Council is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter. The DoT assessment summary will be published on the Commission’s website.</td>
</tr>
</tbody>
</table>
6 Audit and Inspection Fee

The fee

6.1 We are committed to targeting work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.

6.2 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:

- Our cumulative knowledge of the Council
- Planning guidance issued by the Audit Commission
- The specific results of previous and ongoing audit work
- Meetings with Council officers
- Liaison with internal audit
- The results of other review agencies’ work where relevant.

6.3 The structure of scale fees is set out in the Audit Commission’s work programme and fee scales 2008-09. Scale fees are based on a number of variables, including the type, size and location of the audited body.

6.4 The Audit Commission has undertaken a national consultation exercise on the proposed work programme and fees for 2008-09. This follows the consultation exercise on the proposed new approach to auditors’ use of resources assessments and the introduction of Comprehensive Area Assessment.

6.5 The planned audit fee for the 2008-09 Code audit work (excluding the pension fund) is £396,500 compared to £433,000 for the previous year. The planned inspection fee for 2008-09 is £26,900.

6.6 The total planned audit and inspection fee of £423,400 compares with £460,000 for 2007-08. The scale fee for the Council is £396,500, which is the same as the audit fee we are proposing of £396,500.
6.7 A breakdown of the audit and inspection fee is provided in Table Four below.

**Table Four: Audit and Inspection Fee**

<table>
<thead>
<tr>
<th>Area</th>
<th>Plan 2008-09 £</th>
<th>Plan 2007-08 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial statements (including WGA)</td>
<td>276,000</td>
<td>316,000</td>
</tr>
<tr>
<td>Use of Resources</td>
<td>119,500</td>
<td>116,000</td>
</tr>
<tr>
<td>National Fraud Initiative</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total Audit Fee</strong></td>
<td><strong>396,500</strong></td>
<td><strong>433,000</strong></td>
</tr>
<tr>
<td>Inspection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship Management and Direction of Travel</td>
<td>26,900</td>
<td>27,000</td>
</tr>
<tr>
<td><strong>Total Inspection Fee</strong></td>
<td><strong>26,900</strong></td>
<td><strong>27,000</strong></td>
</tr>
<tr>
<td><strong>Total Audit and Inspection Fee</strong></td>
<td><strong>423,400</strong></td>
<td><strong>460,000</strong></td>
</tr>
<tr>
<td>Estimate for certification of grant claims and returns</td>
<td>120,000</td>
<td>120,000</td>
</tr>
</tbody>
</table>

6.8 The planned fee above, excludes:

- Certification of grant claims and returns - we will provide an estimate of the cost of certifying 2008-09 grant claims and returns once the 2007-08 certification process has been completed.
- The proposed fee for the audit of the Borough’s Pension Fund is included in a separate audit plan which we will issue after the 2007/08 work has been completed and the full scope of the work required has been clarified by the Audit Commission. We estimate that the fee for this work is £48,000.
- The Audit Commission’s fee for participation in the National Fraud Initiative, which continues to be billed separately.
- Dealing with any local government elector questions and objections, which will be billed separately, as required.

**Assumptions**

6.9 In setting the fee, we have assumed that:

- The level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007-08.
The Council will inform us of significant developments impacting on our audit

- Internal audit meets the appropriate professional standards

- Internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit

- The Council provides best practice quality working papers and records will be provided to support the financial statements by 30 June 2009. There may be scope to reduce the audit fee if the Council met level 4 on KLOE 1.1 for producing annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers. This would include having all work papers electronically available, cross-referring to the statement of accounts, and a detailed analytical review available at the start of the audit process. This would also involve reducing the overall timescale for the completion of the audit to allow earlier sign off

- Requested information will be provided within agreed timescales

- Prompt responses will be provided to draft reports.

6.10 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor’s statutory responsibilities, on the basis of the auditor’s assessment of risk and complexity at a particular body.

6.11 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.

**Process for agreeing changes in audit fees**

6.12 Any changes to the plan and proposed fee will be agreed with the Director of Finance and Corporate Resources in advance, and reported to the Audit Committee. Changes may be required if the Council’s residual audit risks alter, or is a different level of work is required, for example by the Audit Commission or as a result of changes in legislation, professional standards or financial reporting requirements.
### Billing Arrangements

6.13 The audit and inspection fees will be billed as follows:

<table>
<thead>
<tr>
<th>Fee</th>
<th>Billing Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fee £396,500</td>
<td>12 equal monthly instalments from July 2008 to June 2009.</td>
</tr>
<tr>
<td>Inspection fee £26,900</td>
<td>11 equal monthly instalments from June 2008 to May 2009.</td>
</tr>
</tbody>
</table>

### Advice and Assistance

6.14 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide ‘advice and assistance’ (A&A) to another public body where this is requested. If you wish the Commission to provide additional services under these powers, please contact Jacqueline Barry-Purssell in the first instance.

### Non Code Work

6.15 We may agree to carry out additional work outside of the core audit, or non-audit work provided it does not present a conflict of interest and is in accordance with Audit Commission guidance. The scope and fees for any such work will be agreed with the Chief Financial Officer in advance and will be reported to the Audit Committee.
7 Audit and Inspection Team and working together

The Team

7.1 The key members of the audit and inspection team for 2008-09 are shown in Table Six.

Table Six: Key team members

<table>
<thead>
<tr>
<th>Name</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jacqueline Barry-Purssell</td>
<td>The primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.</td>
</tr>
<tr>
<td>Paul Dossett</td>
<td>Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive, other senior officers, and the Audit Committee.</td>
</tr>
<tr>
<td>Stuart Lloyd</td>
<td>Manages and co-ordinates the different elements of the audit work, including certification of grant claim and returns. Key point of contact for the Director of Finance and Corporate Resources.</td>
</tr>
<tr>
<td>Elizabeth Sanford</td>
<td>Responsibility for delivery of the accounts audit. Key point of contact for the accountancy team.</td>
</tr>
<tr>
<td>Martin Ellender</td>
<td>Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment, and data quality work.</td>
</tr>
<tr>
<td>Bob Jacobs</td>
<td>Responsible for the delivery of the Information Technology aspects of our audit.</td>
</tr>
</tbody>
</table>
7.2 The core audit team will be supported by other specialist and support staff, as necessary, during the course of the audit, including:

- Governance and Risk Assurance specialists
- Specialist pension staff
- Technical Accounting specialists.

**Independence**

7.3 We are not aware of any relationships that may affect the independence and objectivity of the audit and inspection team, which we are required by auditing and ethical standards to communicate to you. We comply with the ethical standards issued by the APB and with the Audit Commission’s requirements in respect of independence and objectivity as summarised at Appendix B.

**Audit and Inspection Outputs**

7.4 The table below summarises the audit and inspection reports we plan to issue in respect of the 2008-09 audit and inspection plan.

**Table Seven: Summary of Planned Outputs**

<table>
<thead>
<tr>
<th>Planned output</th>
<th>Indicative Date to officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09 Audit and Inspection plan</td>
<td>May 2008</td>
</tr>
<tr>
<td>Direction of Travel Assessment</td>
<td>February 2009</td>
</tr>
<tr>
<td>Audit and Inspection Letter 2007/08</td>
<td>February 2009</td>
</tr>
<tr>
<td>2008-09 Annual report to those charged with governance ('ISA 260' report which will cover accounts and value for money conclusion)</td>
<td>September 2009</td>
</tr>
<tr>
<td>Data quality audit reporting</td>
<td>November 2009</td>
</tr>
<tr>
<td>Use of resources – 2008-09 reporting of scores and recommendations</td>
<td>November 2009</td>
</tr>
<tr>
<td>Annual audit letter</td>
<td>November 2009</td>
</tr>
<tr>
<td>2008-09 Grant Claims Report</td>
<td>December 2009</td>
</tr>
</tbody>
</table>

7.5 Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies, issued by the Audit Commission. Reports are addressed to members or officers and are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.
**Quality of service**

7.6 We are committed to achieving and maintaining the highest quality of service. If you have any comments on our service, please contact Paul Dossett.

7.7 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission’s website or on request.

**Meetings**

7.8 The audit and inspection team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.

7.9 The meetings will be organised by Grant Thornton and our proposal for this is as described in the table below.

**Table Eight: Proposed meetings**

<table>
<thead>
<tr>
<th>Council officers</th>
<th>Audit team</th>
<th>Timing</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive</td>
<td>Engagement Lead (EL) and Audit Manager (AM).</td>
<td>At least six monthly</td>
<td>General update plus audit plan, accounts and VFM progress.</td>
</tr>
<tr>
<td>Director of Finance and Corporate Resources</td>
<td>EL and AM</td>
<td>Quarterly</td>
<td>Update on financial statement audit issues.</td>
</tr>
<tr>
<td>Meeting with Leader</td>
<td>Engagement lead and CAAL</td>
<td>Quarterly</td>
<td>General update on audit and inspection activity</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>EL and AM, with Performance Lead and IT Audit Manager as appropriate</td>
<td>In accordance with Audit Committee timetable</td>
<td>Formal reporting of: Audit Plan Annual governance report Annual audit letter Other issues and reports as appropriate</td>
</tr>
</tbody>
</table>
Appendix A  Work under the Code of Audit Practice

Financial statements

1. Your appointed auditor will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).

2. Your appointed auditor is required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.

3. Your appointed auditor is also required to review whether the Annual Government Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Government Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

4. The Code requires your appointed auditor to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at [his/her] conclusion.

5. In meeting this responsibility, your appointed auditor will review evidence that is relevant to the Council’s corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, for example the Department for Communities and Local Government, we will normally place reliance on their reported results to inform our work.

6. We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

7. The assessment will emphasise the importance of improved value for money outcomes for local people. It is based on wider considerations other than cost and performance. It will also look at how commissioning and procurement are improving efficiency and how non-financial resources are used to support value for money.
The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor’s value for money conclusion.

The overall judgement will be based upon the evidence from three themes scored by the auditor and will give particular emphasis to the value for money outcomes being achieved. The assessment criteria below are based on our current proposals as outlined in our consultation document.

**Use of resources assessment criteria**

<table>
<thead>
<tr>
<th>Managing money</th>
<th>Governing the business</th>
<th>Managing resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning for financial health</td>
<td>Commissioning and procurement</td>
<td>Natural resources</td>
</tr>
<tr>
<td>Understanding costs and efficiencies</td>
<td>Good governance</td>
<td>Strategic asset</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>Risk management and internal control</td>
<td>Workforce</td>
</tr>
</tbody>
</table>

We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations for improvement.

The auditor’s scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CAA.

**Data quality**

The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:

- Stage 1 – review of corporate arrangements
- Stage 2 – analytical review

Work will be focused on the overall arrangements for data quality, particularly on the responsibility of the Council to manage the quality of its data, including data from partners where relevant.

Our fee estimate reflects an assessment of risk in relation to the Council’s data quality arrangements and performance indicators. This risk assessment may change depending on our assessment of your overall corporate arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee.
**Whole of government accounts**

15 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office. The 2008-09 WGA consolidated pack will need to be produced in accordance with the International Financial Reporting Standards (IFRS).

**National Fraud Initiative**

16 The Council participates in the National Fraud Initiative, which is the Audit Commission’s computerised data matching exercise designed to detect fraud perpetrated against public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council’s accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

**Certification of grant claims and returns**

17 We will continue to certify the Council’s claims and returns on the following basis:

- Claims and returns below £100,000 will not be subject to certification
- Claims and returns between £100,000 and £500,000 will be subject to a reduced, light-touch certification
- Claims and returns over £500,000 will be subject to a certification approach relevant to the auditor’s assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.
Appendix B  Independence and objectivity

Auditors appointed by the Audit Commission are subject to the Code of Audit Practice ("the Code"), which includes the requirement to comply with ISAs when auditing the financial statements. Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm’s independence and the objectivity of the audit engagement partner and audit staff. Standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standard defines ‘those charged with governance’ as ‘those persons entrusted with the supervision, control and direction of an entity’. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Executive matters, which are considered to be of sufficient importance.

Auditors are required by the Code to:

• Carry out their work with independence and objectivity
• Exercise their professional judgement and act independently of both the Commission and the audited body
• Maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest
• Resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors’ functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as non-Code work in the plan.
The Code also states that the Audit Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Audit Commission work who wish to engage in political activity should obtain prior approval from the Engagement Lead
- Audit staff are expected not to accept appointments as lay school inspectors
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body’s area in direct competition with the body’s own staff without having discussed and agreed a local protocol with the body concerned
- Auditors are expected to comply with the Audit Commission’s statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors’ conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors’ independence
- Auditors appointed by the Audit Commission should not accept engagements which involve commenting on the performance of other Audit Commission auditors on Audit Commission work without first consulting the Audit Commission
- Auditors are expected to comply with the Audit Commission’s policy for both the Engagement Lead and the second in command (Audit Manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements)
- Audit suppliers are required to obtain the Audit Commission’s written approval prior to changing any Engagement Lead in respect of each audited body
- The Audit Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or Audit Manager has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual’s relevant qualifications, skills and experience.