

Audit Plan

April 2006



Annual Audit and Inspection Plan

Isle of Wight Council

Audit 2006-2007

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

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Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake in 2006/07. The plan has been drawn up from our risk-based approach to audit planning and the requirements of the new Comprehensive Performance Assessment '*CPA – the Harder Test*'. It reflects:
 - our responsibilities under the Code of Audit Practice;
 - audit and inspection work specified by the Audit Commission for 2006/07;
 - your local risks and improvement priorities; and
 - current national risks relevant to your local circumstances.
- 2 Your relationship manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.

Our responsibilities

- 3 In carrying out our audit and inspection duties we have to comply with the statutory requirements governing them, and in particular:
 - the Audit Commission Act 1998 and the Code of Audit Practice (the Code) with regard to audit; and
 - the Local Government Act 1999 with regard to best value inspection and audit.
- 4 The Code defines auditors' responsibilities in relation to:
 - the financial statements of audited bodies; and
 - audited bodies' arrangements for securing economy, efficiency and effectiveness in their use of resources. Auditors are now required to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources. We will give the first such conclusion by September 2006 as part of the 2005/06 audit.

The fee

- 5 For 2006/07 the Audit Commission has changed its fee scale structure and details are set out in the Commission's Work Programme and Fee scales 2006/07. Audit fees are based on a number of variables, including the type, size, location and complexity of the audited body and the national and local risks.
- 6 Inspection fees are based on the actual number of days included in the plan for each programmed activity.
- 7 The total fee estimate for the audit work planned for 2006/07 is £282,900 and the total fee estimate for inspection work planned for 2006/07, including the corporate assessment is £145,400. The total audit and inspection fee for 2006/07 is £428,300. This compares with a total audit and inspection fee of £287,000 in 2005/06. The audit fee for 2006/07 is inclusive of £8,000 to cover the cost of the auditor's use of resource judgement for the fire and rescue service which is a new requirement this year.
- 8 In addition we estimate that we will charge approximately £75,000 for the certification of claims and returns.
- 9 The audit and inspection fees include all work identified in this plan unless specifically excluded. Further details are provided in Appendix 1 which includes specific audit risk factors, the assumptions made when determining the audit fee, specific actions the Isle of Wight Council could take to reduce its audit fees and the process for agreeing any additional fees.
- 10 Changes to the plan and the fee may be necessary if our audit risk assessment changes during the course of the audit. This is particularly relevant to work related to:
 - the opinion on the 2006/07 accounts, since we have yet to audit the accounts for 2005/06, and detailed financial reporting requirements for 2006/07 are not yet known; and
 - work on selected performance indicators, since we have yet to assess your overall arrangements for securing the quality of this data and then to undertake a formal risk assessment.
- 11 We will formally advise you if any changes to the fee become necessary.

CPA and inspections

- 12 We have applied the principles set out in the new CPA framework, '*CPA – the Harder Test*' recognising the key strengths/weaknesses in the Isle of Wight Council's performance.
- 13 Our assessment recognises the mixed outcomes overall in terms of service improvement that the Council has achieved to date with some key services such as education performing significantly below requirements. There is a lot the Council is doing well and it is contributing positively to wider community outcomes but it is as yet unable to demonstrate consistent improvement in all its priority areas or value for money in delivering its services.
- 14 We note that the Council has developed a new strategic planning framework and has restructured its management arrangements. There has also been a re-focusing of the Council's corporate objectives and the introduction of a substantial change management plan designed to strengthen corporate capacity and support service improvement.
- 15 This is commendable but the Council's change agenda is challenging and ambitious and can only be delivered from a position of strength, requiring the Council to maintain and build on its existing corporate capacity if it is to take advantage of the impetus gained so far. At the same time the sheer scale of the Council's agenda is at risk of over whelming existing resources unless clear priorities are determined and services that are vulnerable to disruption during the current period of management change are identified and contingency plans developed to protect them.
- 16 As a consequence our inspection activity will focus on the following:
 - supporting the delivery of the Council's improvement agenda;
 - re-visiting our Direction of Travel assessment; and
 - carrying out a corporate assessment and joint area review.

Table 1 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager role	To act as the Commission's primary point with the authority and the interface at the local level between the Commission and the other inspectorates, Government Offices and other key stakeholders.

Inspection activity	Reason/impact
Direction of Travel statement	To provide focus for continuous improvement and to include in CPA scorecard. Separate statements will be prepared this year in respect of the Council and the Fire and Rescue Service. It should be noted that the cost of the Fire and Rescue Service work is fully funded by OPDM grant and is not part of the inspection fee for the year.
Corporate assessment	We will carry out a corporate assessment in line with the processes outlined in ' <i>CPA - the Harder Test</i> '. Our approach will be a combined corporate assessment and joint area review which will include an inspection of children's services for children and young people.

Summary of key audit risks

- 17 This section summarises our assessment and the planned response to the key audit risks which may have an impact on our objectives to:
- provide an opinion on your financial statements;
 - provide a conclusion on your use of resources;
 - provide a scored judgment on the use of resources to feed into the CPA process;
 - undertake audit work in relation to specified performance indicators to support the service assessment element of CPA; and
 - provide a report on the Council's best value performance plan (BVPP).
- 18 In assessing risk we have taken account of the Council's progress in delivering its change management agenda; drawn on our findings from recent audit work and have held discussions with key officers, including the Directors Group to identify emerging risks and assess the extent to which assurances in support of our Code of Audit responsibilities can be provided from the Council's own risk management and other internal processes.
- 19 Our planned work takes into account information from other regulators, where available. Where risks are identified that are not mitigated by information from other regulators, or your own risk management processes, including Internal Audit, we will perform work as appropriate to enable us to provide a conclusion on your arrangements.
- 20 The delivery of the Council's change management programme is both ambitious and challenging and how effectively this is managed is viewed as a key audit risk for 2006/07. We consider it unlikely that we will be able to gain adequate assurances that the programme is being effectively managed without undertaken work on our own behalf.
- 21 The precise scope of the audit will be decided following completion of the corporate assessment so that our coverage links with evolving improvement priorities. The primary objective of the audit would be to assess the extent to which each essential component of change management was being co-ordinated; covering a number of cross cutting themes such as health and social care integration, children's services and strategic partnering. This will enable the audit to assess whether the Council has put in place:
- proper arrangements for securing strategic and operational objectives;
 - channels of communication with service users and other stakeholders including partners; and
 - arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.

Value for money conclusion

- 22 The Code of Audit Practice requires us to issue a conclusion on whether you have proper arrangements in place for securing economy, efficiency and effectiveness in the use of your resources (the value for money conclusion). The Audit Commission has developed relevant criteria for auditors to apply in reaching our value for money conclusion as required under the Code of Audit Practice. These criteria are listed in Appendix 2. In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements.
- 23 We will give the first such conclusion by the end of September 2006 as part our audit of the 2005/06 accounts. This may influence our risk assessment for similar work to be carried out as part of the 2006/07 and we will keep you informed of any changes to this plan that may become necessary.

Use of Resources judgement

- 24 In addition to the Code requirements described above, the Audit Commission requires auditors to make more qualitative assessments of the effectiveness of those arrangements in the form of a series of use of resources judgements. The key lines of enquiry (KLOEs) issued in June 2005 will be updated in spring 2006 to reflect the lessons learned from the first year's experiences of applying the KLOEs, following a post implementation review of the assessment.
- 25 Our fee estimate for 2006/07 assumes that the KLOEs will be broadly similar to those used in 2005/06. If this changes substantially we will discuss with you the implications, including any impact on the fee.
- 26 These judgements are also used by the Commission as the basis for its overall use of resources judgement for the annual CPA.
- 27 Using our cumulative knowledge and experience, including the results of previous work and other regulators' work, we have identified the following areas of audit risk to be addressed before we give our VFM conclusion or Use of Resources judgements. We are discussing with officers how the audit might use facilitated workshops involving key staff to explore key lines of enquiry, review sources of assurance, identify improvement opportunities and assist officers develop action plans.

Table 2 Summary of use of resources audit risks

Audit risk	Response
The Council has a developed a sound risk management framework but we have not yet evidenced that this is operating effectively across the whole organisation.	We will seek assurances that risk management arrangements are properly embedded and are operating effectively.
Lack of resources and recruitment difficulties may compromise delivery of the Internal Audit plan.	We will review Internal Audit's performance against its audit plan to inform our assessments of the Council.
The Council needs to ensure that changes to its leadership and corporate governance arrangements do not compromise effective scrutiny and ethical standards and proper accountability.	We will obtain assurances from other aspects of our audit including the findings of the Audit Commission's corporate assessment.

Audit risk	Response
The Council is unable to demonstrate that it is managing and monitoring Value for Money effectively until there are further developments in performance management. A new system has been purchased to facilitate the management of performance.	We have offered our support in running facilitated workshop to help promote the cultural change. Whether or not this is done we will consider the implementation of the new performance management system and seek assurances from the council that the expected benefits have been secured.
At the time of our previous Use of Resources judgement the Council did not have an up-to-date medium-term financial strategy.	We will review the Council's medium-term financial strategy to determine whether it is consistent with the Council's corporate plan.
The Council has set challenging targets to reduce service expenditure and reallocate resources; delivery of these targets will test the effectiveness the Council's financial management arrangements.	We will monitor the position on an ongoing basis to ensure that financial plans are on track and that the Council has in place adequate arrangements for identifying and delivering efficiencies.
The Council is planning to update its asset management plan and make other changes to its arrangements for managing its property but has yet to demonstrate whether these changes result in the effective use of these resources.	We will review the Council's updated asset management plan; assess the extent to which a strategic approach to asset management is being followed collectively with partner organisations and track the implementation of the recommendations from our 2004/05 review of property management.
Slippage in the capital programme brings into question whether the Council's scarce capital resources are being directed to best effect and suggests weaknesses in the management of capital projects.	We will consider this as part of our interim audit, linking where appropriate to our review of the Council's asset management plan and capital programme.
The Council needs to do more to demonstrate that it actively promotes an anti-fraud culture; our 2004/05 report identified a range of issues to address.	We will follow up the Council's response to our previous work and discuss with the Council the opportunity for series of further workshops with middle managers.

Audit risk	Response
There has been no Internal Audit computer audit coverage during 2005/06 and our audit work last year raised concerns around disaster planning and information security.	We would propose running our 'Your business at risk' audit tool. This is a web-based survey of key Council staff that will help evaluate the risks to the organisation through weaknesses in IT systems and information governance arrangements.

Performance information

- 28 Auditors are required to undertake audit work in relation to specified performance indicators to support the service assessment element of CPA. This work will be risk based and will link in part to our review of the Council's overall arrangements to secure data quality as required for our Use of Resources conclusion. Our fee estimate includes an element for this work on the basis that we will assess Isle of Wight Council as medium-risk in relation to its performance indicators.
- 29 This risk assessment may change depending on our assessment of your overall arrangements. When we have finalised our risk assessment we will update our plan including any impact on the fee quoted above.

Best value performance plan

- 30 We are required to consider and report on whether or not you have complied with legislation and statutory guidance in respect of the preparation and publication of your best value performance plan (BVPP).

Financial statements

- 31 We will carry out our audit of the 2006/07 financial statements and comply with the International Standards on Auditing (UK and Ireland).
- 32 We are also required to review whether the Statement on Internal Control 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.
- 33 On the basis of our preliminary work to date we have identified the following audit risks.

Table 3 Summary of opinion risks

Opinion risks	Response
Accounting changes in the 2006 SORP, particularly associated with capital accounting and presentation of the Consolidated Revenue Account.	We will seek assurance on compliance with the latest SORP prior to giving our opinion on the accounts.
The quality of the Council's capital accounting was poor which gave rise to reported errors in the 2004/05 capital accounts and uncertainties in the entries contained in the fixed asset register.	We will re-assess as part of our audit of the 2005/06 accounts and raise with officers as appropriate.
A controls assurance framework is in place but the Council has not as yet been able to demonstrate that it is owned by managers and that it properly supports the business planning process.	We will critically challenge the Council's processes for preparing the 2006 statement of control and carry out audit tests to determine whether the statement is properly supported by controls self assurance.

- 34 Our fee estimate for 2006/07 is based on the assumption that the current standard of working papers will be maintained/improved and that internal audit will complete their planned work on key information systems to the agreed quality and by the agreed date and that the accounts will be prepared and fully supported by working papers by the end of June 2006.
- 35 We have yet to undertake the audit of the 2005/06 financial statements and our 2006/07 financial statements audit planning will continue as the year progresses. This will take account of:
- the 2005/06 opinion audit;
 - our documentation and initial testing of material information systems;
 - our assessment of the 2006/07 closedown arrangements; and
 - any changes in financial reporting requirements.
- 36 When we have finalised our risk assessment in respect of your financial statements, we will update our plan in advance of the audit detailing our specific approach, including any impact on the fee quoted above.

Whole of government accounts

- 37 The government is introducing whole of government accounts (WGA) in order to produce consolidated accounts for the whole public sector. WGA will include the accounts of local authorities and WGA data returns will be required to be audited. The Audit Commission is currently discussing the scope of the likely audit work with stakeholders. The fee for this work is not included in this plan and we will discuss this with the Assistant Chief Executive (Finance) when further details are available.

Certification of claims and returns

38 We will continue to certify the Council's claims and returns:

- claims for £50,000 or below will not be subject to certification;
- claims between £50,001 and £100,000 will be subject to a reduced, light touch, certification audit; and
- claims over £100,000 have an audit 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 audit approach for these claims.

The charges for this work is based on skill-related fees scales set out in the Audit Commission's Work Programme and Fee Scales 2006/07. Based on this, and on the assumption that the level of grant work will remain unchanged we estimate that the fees for grant certification work will be around £75,000. The cost of grant certification work may exceed this estimate if we are required to carry out additional testing on the Council's 2005/06 housing benefit claim in response to identified software problems. We are unable to quantify the impact that this might have on the audit fee at this stage.

Voluntary improvement work

Table 4 Proposed voluntary improvement work

The following proposals were agreed in principle at the Directors' Group meeting (3 March 2006) but discussed further with the Chief Executive and Assistance Chief Executive on the 27 March 2006

Topic	Coverage	Indicative fee	Agreed response
Ethical governance audit	This product is designed to support the development of a robust ethical framework and may be used to supplement the new members' induction programme being run internally. It comprises a diagnostic survey to test perceptions with the opportunity to explore ethical questions and differentiate the respective roles of management and members at first hand in workshop settings.	£9,000 to £12,000 dependent on the number of workshops.	Not required at this stage. The position to be reviewed following the corporate assessment.
Improvement Boards	We would continue to act as critical friend to the Council to support its work in taking forward its improvement agenda: <ul style="list-style-type: none"> • fire and rescue service; • PFI; and • education attainment. 	£15,000 to provide support over the three improvement areas.	No longer required - officers consider that sufficient external support on these improvement areas now in place.

Topic	Coverage	Indicative fee	Agreed response
Cost effectiveness workshops	Using financial and performance information available from the Audit Commission's central databases we will help the Council benchmark the cost of specific services and through the use of facilitated workshops help senior managers and members in determining service priorities.	£8,500 to £12,000 dependant on the complexity of the service area.	Agreed.

Other information

Outputs from the audit and inspection plan

- 39 The expected outputs from our planned audit and inspection work are listed in Appendix 3.

The team

Table 5

Name	Title
S Taylor	Relationship Manager and Appointed Auditor
A Rankine	Audit Manager
C Smith	Local Performance Lead
S Belshaw and J Treasure	Audit Team Leaders

- 40 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.
- 41 We comply with the ethical standards promulgated by the Auditing Practices Board and with the Commission's requirements in respect of independence and objectivity as set out at Appendix 4.

Future audit plans

- 42 As part of our planning process, we have taken the opportunity to look at potential issues for future years' programmes. Key areas identified include:
- arrangements for the out-sourcing of Council services and developing contractual arrangements with a potential strategic partner.
- 43 We will discuss these in more detail as the audit year progresses and in the light of the improvement priorities identified by the Audit Commission's corporate assessment.

Appendix 1 – Audit and inspection fee

Table 6

Fee estimate	Plan 2006/07	Plan 2005/06
Audit		
Accounts	£191,400	£175,000
Use of resources - Council	£83,500	£105,000
Use of resources - Fire and Rescue	£8,000	0
Total audit fee	£282,900	£280,000
Inspection (Net of ODPM grant)		
Relationship management	£18,000	£7,000
Service inspection	0	0
Corporate assessment	£127,400	0
Total inspection fee	£145,400	£7,000
Total audit and inspection fee	£428,300	£287,000
Certification of grants and returns	£ 75,000	£70,000
Voluntary improvement work	To be agreed	0

- 44 The fee (plus VAT) will be charged in 12 equal instalments from April 2006 to March 2007.
- 45 The fee above includes all work contained in this plan except:
- any work required in relation to the whole of government accounts.

Specific audit risk factors

- 46 In setting the audit fee we have taken account of the following specific risk factors.
- **Change management** - The Council's aim high change management agenda is ambitious and challenging and needs to be delivered in an integrated way, involving clear priorities and links between the related themes, with clear milestones and success criteria.
 - **Workforce planning** - Effective workforce planning is a crucial plank of the Council's aim high agenda but there are audit risks concerned how effectively the Council manages this resource given the pace of change and the many uncertainties about the future.
 - **Development of the scrutiny function and the role of members** - Despite what has already been done to provide the new administration with the skills it needs to lead the organisational effectively, we consider member training and development as an ongoing process requiring periodical review and re-assessment by the Council.
 - **Performance management** - A key challenge for the Council is to demonstrate improvement in the areas that matter. As the Council takes its change agenda forward it must not neglect the need to improve standards of service and address failing services. The Council's performance management arrangements need to be strengthened to evidence improvement and manage performance; to identify areas of under-performance and the effectiveness of the steps taken to get the right results.
 - **Financial and service planning** - The Council has introduced a new service and financial planning model and has applied this successfully in setting a budget which achieves the overall financial targets of the new administration. The ongoing challenge for the Council is to ensure that the service plans over the coming year are delivered within financial limits set in the Council's budget.
 - **Effective management of the Council's asset base** - An ongoing challenge for the Council with the risk that assets are not effectively utilised. This is an important issue for the Council given the competing demands on Council assets and the need to consider estates rationalisation as the Council pursues its change management programme and closer working with partners.
 - **Embedding controls assurance into the culture of the organisation** - A robust system of internal control to underpin the effectively delivery of the Council's strategic objectives and support financial reporting is not yet firmly embedded into the organisation.
 - **Joint funding arrangements and pooled budgets** - The Council is planning to extend joint funding arrangements to support greater integrated service provision within the public sector.

Assumptions

- 47 In setting the audit fee we have assumed:
- you will inform us of significant developments impacting on our audit;
 - Internal Audit meets the appropriate professional standards;
 - Internal Audit undertakes appropriate work on all material information systems that provide figures in the financial statements sufficient that we can place reliance for the purposes of our audit recognising the shift in requirements introduced by the International Standards on Auditing (ISA);
 - officers will provide good quality working papers and records to support the financial statements by the end of June 2006.
 - officers will provide requested information within agreed timescales;
 - officers will provide prompt responses to draft reports; and
 - the key lines of enquiry for our Use of Resources judgement will be broadly similar to those used in 2005/06.
- 48 Where these requirements are not met or our assumptions change, we will be required to undertake additional work which is likely to result in an increased audit fee.
- 49 Changes to the plan will be agreed with you. These may be required if:
- new risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - there are any changes to financial reporting requirements, professional auditing standards or legislation which results in additional audit work.

Specific actions Isle of Wight Council could take to reduce its audit fees

- 50 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit fees. We have identified the following actions Isle of Wight Council could take.
- The Council should supply full documentation of its new financial systems introduced during the year, identifying its internal controls and its processes to ensure the outputs are materially accurate.
 - The Council should ensure that any action taken to improve use of resources is fully evidenced and this made available to the auditor in support of our work on use of resources.

Process for agreeing any changes in audit fees

- 51 If we need to amend the audit [or inspection] fees during the course of this plan we will firstly discuss this with the Chief Executive/Director of Finance. We will then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

Appendix 2 – Criteria to inform the auditor’s conclusion on proper arrangements for securing economy, efficiency and effectiveness in the use of resources

Arrangements for establishing strategic and operational objectives and for determining policy and making decisions

- 1 The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.

Arrangements for ensuring that services meet the needs of users and taxpayers, and for engaging with the wider community

- 2 The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.

Arrangements for monitoring and reviewing performance, including arrangements to ensure data quality

- 3 The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.
- 4 The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.

Arrangements for ensuring compliance with established policies, procedures, laws and regulations

- 5 The body has put in place arrangements to maintain a sound system of internal control.

Arrangements for identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working

- 6 The body has put in place arrangements to manage its significant business risks.

Arrangements for ensuring compliance with the general duty of best value

- 7 The body has put in place arrangements to manage and improve value for money.

Arrangements for managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body

- 8 The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.
- 9 The body has put in place arrangements to ensure that its spending matches its available resources.
- 10 The body has put in place arrangements for managing performance against budgets.
- 11 The body has put in place arrangements for the management of its asset base.

Arrangements for ensuring that the audited body’s affairs are managed in accordance with proper standards of conduct, and to prevent and detect fraud and corruption

- 12 The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.

Appendix 3 – Planned outputs

- 1 Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 7

Planned output	Start date	Draft due date	Key contact
Audit and Inspection Plan*	1 February 2006	31 March 2006	Audit Manager
Interim Audit Memorandum	1 March 2007	30 June 2007	Audit Manager
BVPP Report	1 September 2006	30 September 2007	Audit Manager
Report on Selected PIs (if applicable)	1 September 2006	31 October 2007	Audit Manager
Audit Memorandum including Report on Financial Statements to Those Charged with Governance	August 2007	September 2007	District Auditor
Opinion on Financial Statements	To be advised	30 September 2007	District Auditor
VFM Conclusion	To be advised	30 September 2007	Performance Lead
Final Accounts Memorandum	1 July 2007	October 2007	Audit Manager
Local Performance Work	To be advised	To be advised	Performance Lead
Inspections	To be advised	To be advised	Performance Lead
Annual Audit and Inspection Letter (including Direction of Travel assessment)	October 2007	16 December 2007	Relationship Manager

* To be revisited during the year to reflect outcome of 2005/06 opinion work, the 2006/07 interim visit and the corporate assessment.

Appendix 4 - The Audit Commission's requirements in respect of independence and objectivity

- 1 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 requires 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. The standards also place requirements on auditors in relation to integrity, objectivity and independence.
- 2 The ISA 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 Council on matters which are considered to be of sufficient importance.
- 3 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; and
 - resist any improper attempt to influence their judgement in the conduct of the audit.
- 4 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 work carried out under section 35 of the Audit Commission Act 1998.

- 5 The Code also states that the 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 Commission work who wish to engage in political activity should obtain prior approval from the Partner or Regional Director;
 - 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 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 Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission;
 - auditors are expected to comply with the Commission's policy for both the District Auditor/Partner and the second in command (Senior Manager/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 Commission's written approval prior to changing any District Auditor or Audit Partner/Director in respect of each audited body; and
 - the Commission must be notified of any change of second in command within one month of making the change. Where a new Partner/Director or second in command 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.