

A&I Plan - DC (where RM but not Auditor)

June 2008



# **Annual Audit and Inspection Plan**

**Ryedale District Council**

**Audit 2008-2009**

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**

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 non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

### **Copies of this report**

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## Introduction

- 1 This plan has been developed by the Relationship Manager and the appointed auditor. It sets out the audit and inspection work that we propose to undertake 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 moving towards Comprehensive Area Assessment (CAA). It reflects:
  - audit and inspection work specified by the Audit Commission for 2008/09;
  - current national risks relevant to your local circumstances; and
  - your local risks and improvement priorities.
- 2 Your Comprehensive Area Assessment Lead will be taking responsibility for the delivery of the planned inspection work.
- 3 During 2008/09, the role of Relationship Manager will be replaced by the post of 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.
- 4 As we have not yet completed our 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.

## Responsibilities

- 5 We comply with the statutory requirements governing our audit and inspection work, in particular:
  - the Audit Commission Act 1998;
  - the Local Government Act 1999 (best value inspection and audit); and
  - the Code of Audit Practice.
- 6 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
  - the financial statements (including the annual governance statement); and
  - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 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.
- 8 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.

## Audit fee

- 9 The details of the structure of scale fees are 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.
- 10 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is for £85,330, which compares to the planned fee of £74,525 for 2007/08.
- 11 A summary of this is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions. A detailed breakdown of the audit and inspection fee is included in Appendix 2.

**Table 1      Audit fee**

<b>Audit area</b>	<b>Planned fee 2008/09</b>	<b>Planned fee 2007/08</b>
<b>Total audit fee</b>	79,350	68,625
<b>Total inspection fee</b>	5,980	5,900
Estimate of Certification of claims and returns	20,000	30,000

*The above fee does not include the cost of the national Fraud Initiative which is determined by the Audit Commission (2007/08 £1,200).*

- 12 The Audit Commission scale fee for Ryedale District Council is £88,700. The fee proposed for 2008/09 is 3.8 per cent below the scale fee and is within the normal level of variation specified by the Commission.
- 13 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;
  - you will inform us of significant developments impacting on our audit;
  - internal audit meets the appropriate professional standard;
  - internal audit undertakes appropriate work on all systems and good quality working papers and records will be provided to support the financial statements by 1 April 2009;
  - good quality working papers and records will be provided to support the financial statements by 30 June 2009;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to draft reports; and
- any additional work to address questions and objections raised by local government electors is excluded and, due to uncertainty of timing and resources required, will be agreed separately.

Further details of our assumptions are outlined in Appendix 2.

- 14 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.
- 15 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.
- 16 Variances arising between the 2007/08 planned fee and the 2008/09 planned fee relate to:
  - a reduction in fee of £750 for Best Value Performance Plan;
  - inflation of 1.25 per cent in accordance with Audit Commission guidelines; and
  - additional Use of Resource work in respect of the risk identified (Appendix 3).
- 17 In addition we estimate that we will charge approximately £20,000 for the certification of claims and returns.
- 18 As we are completing the audit planning process for 2008/09 before performing our initial audit of Ryedale District Council it may be that there are some changes to our planned work based on the findings of our initial audit. This fee quote is therefore indicative and any changes to the fee will be agreed with you.

## **Specific actions Ryedale District Council could take to reduce its audit and inspection fees**

- 19 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit and inspection fees. The council has a good record for producing working papers and enabling a co-operative approach to the audit. The fee for the audit assumes a continuation of these good practices and the fee is below guideline levels. Once we have completed our initial audit for 2007/08 we will discuss with you if we consider there are any actions that can be taken.



## **Process for agreeing any changes in audit fees**

- 20 As set out in paragraph 4, we expect that the initial risk assessment will change as the year progress. Where this is the case, we will discuss this in the first instance with the Corporate Director. Supplements to the plan will be issued to record revisions to the risk and the impact on the fee.

## Auditor's report on the financial statements

- 21 We are required to issue an audit report giving our:
- opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009; and
  - conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Financial statements

- 22 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks may only become apparent after we have completed our 2007/08 audit. If appropriate, we will issue a separate Audit Plan for our audit of the financial statements in December 2008.
- 23 The adoption of International Financial Reporting Standards (IFRS) is not required by most local government bodies in 2008/09.
- 24 On this basis the total audit fee does not include any fees in respect of audit of IFRS or transitional arrangements for moving to IFRS. Based on full implementation of IFRS on 31 March 2011, the date of transition on which the balance sheet will first need to be determined under these standards is 1 April 2009. Accordingly, Ryedale District Council will need to gather the necessary information to perform this transition during 2008/09. As this will involve Ryedale District Council making a number of significant judgements as part of the transition process we will be happy to discuss these with you.

### VFM conclusion

- 25 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. In reaching our conclusion we will review evidence that is relevant to the Council's performance management and financial management arrangements, the results of our work on Use of Resources and any other work undertaken within this plan.

## Use of resources

- 26 The Audit Commission has specified that auditors will complete a use of resources assessment. 2008/09 will be the first year of a new use of resources assessment which will form an element of the CAA framework. The resource for our Use of Resources assessment are included in the plan for the year in which the work is carried out. Consequently the work in this plan includes:
- the 2008 assessment (relating to 2007/08 arrangements).
- 27 There have been significant changes to the criteria for 2008/09, Appendix 1 outlines the criteria 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 the risk, and plan our work accordingly.

## Assessing risks

- 28 The Audit Commission is committed to ensuring that in association with its partners its targets its work where it will have the greatest effect based upon assessment of risk and performance. This means planning our audit 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 co-ordinated with the work of other regulators, and that our work helps you to improve.
- 29 The key risks highlighted from our planning are summarised in the table below with details of planned work to mitigate the risks. Full details of our risk assessment are outlined in Appendix 3.

**Table 2 Key risks identified**

<b>Key risks identified</b>	<b>Planned work to address the risk</b>
Changes to the Local Authority Statement of Recommended Practice (SORP).	We will ensure that we work with the Council's finance function to identify the requirements of the SORP and the impact on its financial statements. We will ensure that we request working papers which support the SORP requirements and review that these SORP requirements are then included in the Council's accounts.
Implementation of International Financial Reporting Standards (IFRS) across the public sector in 2010/11.	We will ensure we work with the Council's finance function to identify the key areas of impact of the implementation of IFRS.
Failure to achieve implementation and delivery of Framework for Change.	High level review of Framework for Change Criteria and monitoring thereof and will link to our Use of Resources assessment.
Failure to achieve 3 per cent per annum cashable efficiency savings.	High level review of efficiency plans and monitoring thereof, using reports to Senior Management Team and will link to our Use of Resources assessment.

<b>Key risks identified</b>	<b>Planned work to address the risk</b>
Working in partnership including the Local Area Agreement and waste management strategies, and the associated risk of depending on partners for performance and provision of good quality information.	We will seek to place reliance on the work undertaken by Internal Audit and link to our Use of Resources Assessment.
Management and delivery of service during migration from MLM to NYnet, particularly in light of the scale of the roll-out and the timescales involved.	High level review of project management arrangements and link to our Use of Resources Assessment.

## Mandated work

30 As part of the audit, the mandated work programme comprises:

- data quality;
- whole of government accounts; and
- National Fraud Initiative.

Appendix 1 highlights the work to be undertaken.

## CPA and inspection

- 31 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.
- 32 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.
- 33 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. The Council is categorised as good under the CPA.
- 34 I have applied the principles set out in the CPA framework, '*CPA – District Council Framework From 2006*', recognising the key strengths and areas for improvement in the Council's performance. On the basis of the planning process, I have identified where inspection activity will be focused for 2008/09 as follows.

**Table 3 Summary of inspection activity**

Inspection activity	Reason/impact
CAAL role	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.
Direction of Travel (DoT) assessment	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.

## Additional services work

- 35 Under section 35 of the Audit Commission Act 1998, the Commission may undertake additional services work at the request of the audited body. We do not have plans to undertake additional services work for 2008/09.



## The audit and inspection team

- 36 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

**Table 4 Audit and inspection team**

Name	Contact details	Responsibilities
Michael Newbury Comprehensive Area Assessment Lead (CAAL)	<a href="mailto:m-newbury@audit-commission.gov.uk">m-newbury@audit-commission.gov.uk</a> 0844 798 6648	The interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Chris Powell Audit Partner	<a href="mailto:cdpowell@deloitte.co.uk">cdpowell@deloitte.co.uk</a> 0113 292 1288	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and Overview and Scrutiny Committee.
Alistair Lince Audit Manager	<a href="mailto:alince@deloitte.co.uk">alince@deloitte.co.uk</a> 0113 292 1615	Manages and coordinates the different elements of the audit work. Key point of contact for the Corporate Director (S151) and Audit Partnership Manager.

## Quality of service

- 37 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact your CAAL or Audit Partner in the first instance.
- 38 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.

## Planned outputs

- 39 Reports will be discussed and agreed with the appropriate officers before being issued to the Overview and Scrutiny committee.

**Table 5**      **Planned outputs**

<b>Planned output</b>	<b>Indicative date</b>
Updated Audit Plan (if appropriate)	December 2008
Systems report	June 2009
Report to those charged with governance	September 2009
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009
Governance report	October/November 2009
Use of resources report	December 2009
Inspection reports	As applicable
Annual Audit Letter	To be confirmed

## **Appendix 1 – Work under the Code of Audit Practice**

### **Financial statements**

- 1** We 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** We are 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** We are 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 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. This is known as the value for money conclusion. The Code also requires us to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at our conclusion.
- 5** In meeting this responsibility, we 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 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.
- 8** 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.

- 9 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 is based on our current proposals as outlined in our consultation document.

**Table 6 Use of resources assessment criteria**

<b>Managing money</b>	<ul style="list-style-type: none"> <li>• Financial health</li> <li>• Financial planning</li> <li>• Understanding costs</li> <li>• Financial monitoring and forecasting</li> <li>• Financial reporting</li> </ul>
<b>Managing the business</b>	<ul style="list-style-type: none"> <li>• Leadership</li> <li>• Performance management</li> <li>• Commissioning and procuring services</li> <li>• Risk management and internal control</li> <li>• Ethical behaviour and counter-fraud</li> </ul>
<b>Managing other resources</b>	<ul style="list-style-type: none"> <li>• Natural resources</li> <li>• Physical assets</li> <li>• People and IT</li> </ul>

- 10 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations for improvement.
- 11 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

- 12 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 – management arrangements;
  - Stage 2 – analytical review; and
  - Stage 3 – risk-based data quality spot checks of a sample of performance indicators.
- 13 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.

- 14 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 management 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.

## **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 below £100,000 will not be subject to certification;
  - claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
  - claims 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 2 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit 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.
- 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;
  - interviews with Council officers;
  - liaison with internal audit; and
  - the results of other review agencies' work where relevant.

## Assumptions

- 3 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;
  - 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 systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
  - good quality working papers and records will be provided to support the financial statements by 30 June 2009;
  - requested information will be provided within agreed timescales; and
  - prompt responses will be provided to draft reports; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited as further guidance is received (eg Use of Resources and Whole of Government Accounts requirements).

- 5 As we are completing the audit planning for 2008/09 before performing our initial audit of Ryedale District Council it may be that there are some changes to our planned work based on the findings of our initial audit.
- 6 Changes to the plan will be agreed with you. These may be required if:
  - new residual audit risks emerge;
  - additional work is required by the Audit Commission or other regulators; or
  - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 7 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 8 The fee (plus VAT) will be charged in four quarterly instalments from April 2008 to March 2009.

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**Table 7 Detailed audit and inspection fee**

<b>Audit area</b>	<b>Planned fee 2008/09</b>	<b>Planned/Actual fee 2007/08</b>
Financial statements	39,850	39,630
Use of resources	26,200	16,139
Data quality	9,750	9,626
Whole of government accounts	3,550	3,500
<b>Total audit fee</b>	<b>79,350</b>	<b>68,625</b>
Relationship management	2,990	2,950
Direction of Travel	2,990	2,950
Service inspection	-	-
Corporate inspection	-	-
<b>Total inspection fee</b>	<b>5,980</b>	<b>5,900</b>
Estimated Certification of claims and returns	20,000	30,000
Additional services work	-	-

*The above fee does not include the cost of the national Fraud Initiative which is determined by the Audit Commission (2007/08 £1,200).*

## Appendix 3 – Initial risk assessment

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk
Changes to the Local Authority Statement of Recommended Practice (SORP).	Early identification of changes required by the SORP on the Council's financial statements. Early discussion with the audit team on accounting treatment required by the SORP.	Yes	We will ensure that we work with the Council's finance function to identify the requirements of the SORP and the impact on its financial statements. We will ensure that we request working papers which support the SORP requirements and review that these SORP requirements are then included in the Council's accounts.
Implementation of International Financial Reporting Standards (IFRS) across the public sector in 2010/11.	Early identification of the key changes required in the Council's financial statements and associated notes by IFRS. Early discussion with the audit team on the accounting treatment required in advance of the date of transition on 1 April 2009.	Yes	We will ensure we work with the Council's finance function to identify the key areas of impact of the implementation of IFRS.
Failure to achieve implementation and delivery of Framework for Change.	Project management arrangements and measurement criteria established.	Yes	High level review of Framework for Change Criteria and monitoring thereof and will link to our Use of Resources assessment.



<b>Significant risks identified</b>	<b>Mitigating action by audited body</b>	<b>Residual audit risk</b>	<b>Action in response to residual audit risk</b>
Failure to achieve 3 per cent per annum cashable efficiency savings.	Bottom up management of cashable efficiency savings on a Directorate by Directorate basis overseen by the Senior Management Team.	Yes	High level review of efficiency plans and monitoring thereof, using reports to Senior Management Team and will link to our Use of Resources assessment.
Working in partnership including the Local Area Agreement and waste management strategies, and the associated risk of depending on partners for performance and provision of good quality information.	Performance management arrangements in place and review by the Overview and Scrutiny Committee.	Yes	We will seek to place reliance on the work undertaken by Internal Audit and link to our Use of Resources Assessment.
Management and delivery of service during migration from MLM to Nynet, particularly in light of the scale of the roll-out and the timescales involved.	Project management arrangements to be established by IT with Nynet once satisfactory resolution has been achieved to the cost/benefit analysis.	Yes	High level review of project management arrangements and link to our Use of Resources Assessment.

## Appendix 4 – Independence and objectivity

- 1 We are not aware of any relationships that may affect the independence and objectivity of the Audit Partner and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 2 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of our appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 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 Overview and Scrutiny Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee;
- auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;
- the Audit Partner responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
- the Audit Partner and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and
- the Audit Partner and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

## Appendix 5 – Working together

### Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 The meetings will be organised by the Audit Commission and our proposal for this is as follows.

**Table 8 Proposed meetings with officers**

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive, Corporate Director and Corporate Director (S151)	CAAL, Audit Partner and Audit Manager	Annual and on an ad-hoc basis as required	General update plus: <ul style="list-style-type: none"> <li>• April/May - Audit and Inspection Plan</li> </ul>
Monitoring officer	Audit Manager	Annual and on an ad-hoc basis as required	Update on legal and ethical issues
Finance manager	Audit Manger	Quarterly and on ad-hoc basis as required	Update on audit and opinion issues
Chief Internal Auditor	Audit Manager	Annual	Update on audit progress and issues
Audit Committee	CAAL, Audit Partner and Audit Manager	Each committee meeting	Formal reporting of: <ul style="list-style-type: none"> <li>• Audit and Inspection Plan;</li> <li>• Annual governance report;</li> <li>• Annual Audit Letter; and</li> <li>• Other issues as appropriate.</li> </ul>

## Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
  - reducing paper flow by encouraging you to submit documentation and working papers electronically;
  - use of video and telephone conferencing for meetings as appropriate; and
  - reducing travel.