

Audit and Inspection Plan

Bury Metropolitan Borough Council

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Reference:	BU007 Audit and Inspection Plan
Date:	October 2004

Introduction

This plan sets out the audit and inspection work we propose to undertake in 2004/05. The plan has been drawn up from our improvement planning discussion with you, and from our risk based approach to audit planning. This plan reflects the Audit Commission's elements of the co-ordinated and proportionate audit and inspection programme.

Strategic regulation

Strategic regulation is at the core of the Audit Commission's plans. It is a new more focused and more risk-based approach. Our approach to strategic regulation embodies four key principles. It is:

- a force for continuous improvement;
- focused on outcomes for service users;
- proportionate to performance and risk; and
- is delivered in partnership.

We intend to demonstrate the benefits of strategic regulation in your audit and inspection programme by less inspection work.

Our responsibilities

In carrying out audit and inspection work, we comply with the statutory requirements governing it, in particular:

- for our audit work these are the:
 - Audit Commission Act 1998;
 - Code of Audit Practice;
 - Local Government Act 1999; and
- for our inspection work it is the:
 - Local Government Act 1999.

Our improvement planning process with you aims to ensure our Audit Commission work plan and that of the other inspectors is co-ordinated and targeted at key areas for improvement.

To clarify the purpose of our own different responsibilities, we have divided the plan into:

- improvement;
- assessment; and
- assurance.

The fee

The fee agreed for the combined external audit and inspection for 2004/05 is £315,000. This is within the scales publicly consulted on by the Audit Commission in 'Local Government, Housing, Criminal Justice and Fire and Rescue Services – Operational Plan and Audit/ Inspection Fee Scales 2004/05 Proposals for Consultation.'

The fee proposed reflects the level for a 'fair' Council. The agreement of this plan followed the completion of the corporate assessment appeal and judgements in July 2004, although some work progressed on the basis of the draft plan as a practical way forward until the result of the formal appeal was known.

EXHIBIT 1: AUDIT AND INSPECTION FEES 2004/05

Fee £'000 2003/04	Work programme area	Fee £'000 2004/05
50	Accounts	57
62	Governance	92
112	Use of resources	102
224	Total Code of Audit Practice	251
108	Inspection	64
332	TOTAL AUDIT AND INSPECTION FEE	315

Note: the Inspection fee is the amount to be paid by the Council. This is 75 per cent of the full fee as the remaining 25 per cent is met by grant from the Office of the Deputy Prime Minister (ODPM).

There will be a separate fee, estimated to be around £130,000 for the grant claim certification work for 2004/05. This estimate is based on the 2002/03 fee of £135,000, known changes in claims and the Audit Commission's planned reductions in certification work. The exact fee for this work will depend on the number and complexity of claims.

In setting the fee, we have assumed:

- you will inform us of significant developments and emerging risks;
- Internal Audit meet the appropriate professional standards;
- officers will provide good quality working papers;
- officers will provide requested information within agreed timescales; and
- that prompt responses are received to draft reports.

We will continue to update our assessment of risks and this plan throughout the year. Clive Portman, the Relationship Manager and District Auditor, will also ensure there is a continuing dialogue with the other inspectorates.

Changes to the plan will be agreed with you. These may be required if:

- significant new risks emerge;
- additional duties are required of us by the Audit Commission; and
- changes are agreed with the other inspectorates.

Improvement

Through our regular performance meetings with you during the year, we have an understanding of your top priorities for improvement. This section sets out the Audit Commission's proposed activity linked to those improvement priorities. This work is proposed after consultation with the other inspectorates to ensure our work programmes are co-ordinated and proportionate.

EXHIBIT 2: PROPOSED AUDIT AND INSPECTION ACTIVITY

Improvement priority	Action proposed
Corporate performance	
A significant improvement programme is in progress.	Continue to work with you on areas in your improvement.
Environmental services	
This service area was identified as an area for improvement following a 'fair' inspection result. It is also significant to the public.	Environmental service whole service inspection to assess improvements. Work to focus on waste management and street scene.
Home to school transport	
This has been identified as an area of priority for Bury because of national changes.	Review home to school transport arrangements in Bury drawing on previous Audit Commission reviews elsewhere.
Best value performance indicators (BVPIs)	
Significant improvement has been noted in preparation, quality and attainment of your BVPIs, however, they remain key for the Council.	Testing assessment of BVPIs to reach our opinion linked to your Performance Plan and the BVPIs you provide to the Audit Commission.
User focus	
The focus on users is key to the Audit Commission strategy and to Authorities. It also links with your work measuring what matters.	As part of our ongoing planning process, we will review your focus on users and how you achieve this. Similar work will be undertaken elsewhere and we will share good practice.

Additionally we will follow-up our work from previous years to check progress on the implementation of agreed recommendations.

Note our 2003/04 programme is ongoing in:

- performance management;
- risk management;
- scrutiny; and
- IT developments.

EXHIBIT 3: OUTPUTS

Output	Date of issue
Corporate performance	Output and timing to be determined but prior to March 2005.
Environmental services inspection	October 2004
Home to school transport	December 2004/ January 2005
BVPIs audit opinion and report	September 2004
Performance Plan audit opinion and report	December 2004
User focus review	November 2004
Annual Letter	The issues above will also be covered in our Annual Letter, including comments for areas where a specific report has not been planned. This is due December 2004/ January 2005.
Timing	Due dates are estimates and can be changed.

Assessment

Inspections

Much of our assessment work has already been referred to in our improvement work programme. This section provides more detail of our assessment work, which is either prescribed or necessary to meet our statutory obligations.

Qualitative assessment

The Audit Commission will publish an updated comprehensive performance assessment (CPA) for your Council and all other councils in December 2004 based on a qualitative assessment of improvements in the year and updated scores from any inspections by ourselves or other Inspectors.

Comprehensive performance assessment

The Audit Commission is currently updating its methodology for comprehensive performance assessment and the corporate assessment to apply from January 2005. Based on the guidance to date, because Bury MBC has just received a corporate assessment, (February 2004, finalised July 2004) you will not receive another corporate assessment until 2007.

Housing inspections

The Housing Inspectorate programme will depend on Bury's progress with its plans for a Housing ALMO. Housing Inspectors have been providing support up to now. Although the pre-inspection is being contracted out, the Housing Inspectors have provided an initial review and will review the results. ALMO status would result in a final inspection in the summer of 2005 should events progress. Bury is in consultation with ODPM at present. No other inspections are required following last years programme.

Regular performance assessment

The Audit Commission has developed an approach to assess whether a repeat inspection is required in an area where the previous inspection score is becoming out of date (older than three years), and no further inspection is planned. The approach is known as regular performance assessments (RPA).

RPAs were due in Bury for:

- environmental services by December 2004.

A relevant inspection, described in the improvement priorities, is planned, so an RPA in 2004 is not required. Other areas of culture and housing were inspected last year.

Second inspection

Time is provided in the plan for a second inspection, but one was not planned until the results of the corporate assessment were known. Since then a further inspection in the environment block of services has been seen as the most relevant, covering transport services. This is scheduled for March 2005, however its priority will be revisited before inspection work starts. This is included in the improvement priorities part of the plan.

Other inspectors and organisations

We co-ordinate our work with other inspectors and the Audit Commission web site indicates inspections planned that they have notified to us or we are aware of in respect of what is set out below.

EXHIBIT 4: OTHER INSPECTIONS CO-ORDINATED

Inspectorate	Inspections known of
OFSTED	None known. Inspected in 2003 with good results.
Social Services Inspectorate (SSI); from 1 April 2004 to become part of Commission for Social Care Inspection (CSCI).	A Learning Disabilities Service inspection was undertaken in spring 2004. No others are known of. Ongoing performance assessment work.
Benefit Fraud Inspectorate	BFI reported January 2004. They are involved in improvement work.
Commission for Health Audit and Improvement (CHAI)	Inspection of mental health which is in progress for West Pennine Mental Health NHS Trust area.
Department for Education and Skills (DfES) support work	Ongoing support and liaison work.
Adult Learning Inspectorate	Visited autumn 2003.

Joint work with other bodies

The Audit Commission is planning some joint work around the robustness and quality of Social Services Performance Assessment Framework (PAF) indicators. Bury is not in this years first tranche of Authorities to be so assessed.

Work has been requested by ODPM to assess Local Strategic Partnerships (LSPs) where there is Neighbourhood Renewal Fund (NRF) money available. The Audit Commission is working with the ODPM on a programme of short assessments of the LSPs, which will be billed to the LSP, and funded by Neighbourhood Renewal Unit. This does not include Bury who do not have deprivation levels to attract NRF.

EXHIBIT 5: AUDIT COMMISSION OUTPUTS

Output	Date of issue
CPA score card	December 2004
CPA improvement report (part of Annual Letter)	December 2004

Assurance

Some of our assurance work has already been referred to, linked to your improvement agenda. Other assurance work is necessary to meet our audit obligations and the audit risks we have identified for 2004/05. We outline the work we have agreed with you to gain assurance in respect of those risks.

Accounts

We are required to give an opinion on your accounts by 31 October 2005. We will do this by reviewing your core processes for producing the accounts. These are:

- the main accounting system;
- the budgetary control procedures; and
- the final accounts closedown procedures.

We will then undertake detailed testing of the figures in the accounts.

We will undertake the following specific work to address the risks we have identified for 2004/05. These risks may be liable to change as the 2004/05 financial year progresses, and we will update our risk assessment and work programme during the year.

EXHIBIT 6: ACCOUNTS RISK BASED WORK

Risk	Action proposed
<p>Ongoing impact of new technical issues:</p> <ul style="list-style-type: none"> • group accounts; • ALMO; • pensions accounting (FRS17); and • SAS 610 reporting to those charged with governance. 	<p>Specific attention will be required. We will work with Bury to minimise the additional testing needed.</p>
<p>The Accounts and Audit Regulations 2003, in preparation for Whole of Government Accounts, require your Statement of Accounts to be prepared and approved by 31 July 2005, and one month earlier the following year - a target Bury MBC achieved in July 2003 and 2004.</p>	<p>We will continue to work with Bury as closedown procedures are reviewed, in order to bring forward the closure timetable.</p>

It should be noted that our accounts audit does not seek either to obtain absolute assurance that the financial statements present fairly your financial position or assurance that they are accurate in every regard. In this context we adopt a concept of materiality. We seek, in planning and conducting our audit of the Accounts, to identify material errors in your financial statements. Material errors are those which might be misleading to a reader of the financial statements.

An unqualified opinion may not be given on financial statements which contain material mis-statements. In the course of our work we may also identify non-material mis-statements which we will report to officers for amendment, unless they are clearly 'trifling.'

Where these-non trifling misstatements in the accounts have not been adjusted by officers, we will report them to the Council, (or delegated Committee, which is the Audit Sub Committee in Bury's case), so there is an opportunity for them to be amended, before we issue our opinion. If the Council concludes that adjustments are not necessary, we will require a written representation explaining the reasons for not adjusting.

We will also report in conjunction with the Director of Finance and e-Government any misstatements that officers have agreed to be adjusted in the accounts, where we feel that bringing them to the attention of the Council will assist them in fulfilling their duties particularly in relation to internal financial control.

Before the financial statements are approved by the Council, we will communicate any findings from our audit work to that date, which are relevant to the financial statements.

Governance

We are required to determine whether you have adequate arrangements for:

- legality of financial transactions;
- financial standing;
- systems of internal financial control; and
- standards of financial conduct and preventing and detecting fraud and corruption.

We will use the Audit Commission's national risk assessment tool to assess any new areas of risk.

In addition, we will undertake the following specific work to address the risks we have identified.

EXHIBIT 7: GOVERNANCE RISK BASED WORK

Risk	Audit work proposed
Development of the statement of internal control.	Review progress on statement and in the areas to develop, such as the ongoing development of risk management.
Staff changes and development in Treasury management.	Review Bury's approach to treasury management. This will also support the auditor judgements required for CPA.
The new prudential code came into operation from 1 April 2004.	Review Bury's approach to implementing the new prudential code.
New IT systems are planned for revenues and benefits and main accounting system.	Review ongoing financial and other IT developments.
Bury is taking part in the Audit Commission's National Fraud Initiative (NFI). New information that may lead to the detection of fraud is anticipated in October 2004.	We will continue to assess how Bury is following up the data received and the possible indications of fraud.

The work will also inform the proposed Auditor Judgements for CPA Improvement Reporting.

Use of resources

Overall arrangements

We will review whether you have adequate arrangements to secure economy, efficiency and effectiveness in the use of your resources.

No further work has been identified in respect of our audit of performance responsibilities that has not already been covered by our improvement agenda or Best Value work, as this covers most of the major performance risks facing Bury. However, our work will include general discussions and review of specific issues and developments to keep up to date on matters affecting performance arrangements.

In addition, we will follow up progress on previous work as appropriate and as identified by the Audit Commission nationally.

A potential review, cross cutting government bodies is being proposed with the NHS for stroke rehabilitation services, which is included in the plan.

Best value

We will undertake a review of your Best Value Performance Plan (BVPP) to ensure it meets the statutory requirement in respect of its content. We will issue an opinion on this plan before the end of December 2004. We will also review and comment on your systems for collecting performance information and in particular BVPIs.

EXHIBIT 8: AUDIT COMMISSION OUTPUTS

Output	Date of issue
Statement of Auditing Standards (SAS) 610 Report to Those Charged with Governance	September 2005
Accounts Opinion	October 2005
Final Accounts Memorandum	November 2005
Final accounts future action plan from SAS 610 report issues	November 2005
Auditor judgements	October 2004
Other work from the various reviews will be discussed verbally, reported in the Annual Letter and by written report or memorandum, where findings are significant.	
Annual Letter	December 2004 and December 2005

Voluntary improvement work

Where a council requests additional work to help with the improvement agenda we will be happy to discuss detailed proposals. The fee for this work, undertaken under section 35 of the Audit Commission Act 1998, would be agreed separately with the council. None has been requested to date.

The Audit Commission is also working closely with the ODPM and IdEA on improvement work with these bodies taking on those aspects of improvement and development work for which they are more suited.

Claim certification work

The Audit Commission has changed the certification audit regime to reduce the amount of work overall, and better link the work to assessments of risk. The approach is being agreed with Government Departments at present. The benefits of this approach will begin to be achieved in our certification work later in 2004, and be fully achieved in 2005. The main changes are:

- claims for £50,000 or below would not be subject to certification;
- claims between £50,001 and £100,000 would be subject to a reduced, light touch, certification audit; and
- claims over £100,000 would 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 team

EXHIBIT 8: THE TEAM

Name	Title
Clive Portman	Relationship Manager and District Auditor
Linda Kettles	Audit Manager
James Foster	Area Performance Lead
Nigel DeNorhona	IT specialist
TBA by piece of work	Performance specialists
Karen Claber	Principal auditor
Lornae Lewis	Long term contractor
Caroline Fogwill	Auditor

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 standards.

In relation to the audit of your financial statements we will comply with the Commission's requirements in respect of independence and objectivity as set out at Appendix 1.

Longer-term plan

This is the last plan to be prepared by the Audit Commission audit team. From 2005/06 the audit will be the responsibility of KPMG who will start their planning round in early 2005. The Relationship Manager will continue to be from the Audit Commission and will plan the inspection programme.

There will inevitably be overlap as the current team complete their responsibilities in this plan.

Status of our reports to the Council

We will provide reports, or other output as agreed. Our key milestones are set out in Appendix 2. This is prepared in draft form and will be updated regularly as work programmes are agreed, and will form the basis of audit progress reports to officers.

Our reports are:

- prepared for the sole use of the council; and
- written without assuming any responsibility by ourselves to any other person, including members and officers, or to any third party.

Status of our reports to the Council

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

The Audit Commission's requirements in respect of 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 Statements of Auditing Standards (SAS) when auditing the financial statements. SAS 610.3 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 SAS 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 Regulatory Committee. The auditor reserves the right, however, to communicate directly with the Board on 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; and
- to resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors, or any firm with which an auditor is associated, should not carry out work for an audited body, which does not relate directly to the discharge of the auditors' functions if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired. If auditors are satisfied that performance of such additional work will not impair their independence as auditors, nor be reasonably perceived by members of the public to do so, and the value of the work in total in any financial year does not exceed a de minimis amount (currently the higher of £25,000 or 20 per cent of the annual audit fee), then auditors (or, where relevant, their associated firms) may undertake such work at their own discretion. If the value of the work in total for an audited body in any financial year would exceed the de minimis amount, auditors must obtain approval from the Commission before agreeing to carry out the work.

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.
- 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.

Audit and inspection 2004/05 planned timing

Work area	Planned timing	Report due
Corporate performance improvement programme	August 2004 to March 2005	TBA
Home to school transport	October 2004 to March 2005	January 2005
Environmental services whole service inspection	July to October 2004	October 2004
Best value performance indicators opinion and report	July to September 2004	September 2004
Performance Plan opinion	June to December 2004	December 2004
User focus	July to August 2004	September 2004
CPA score card	November to December 2004	December 2004
CPA improvement report	October to December 2004	December 2004
Annual Letter	Ongoing	December 2004 to January 2005
Accounts work and opinion	January to October 2005	October 2005
Governance work	April 2004 to May 2005	October 2005