audit 2005/2006

Audit and Inspection Plan

Bury Metropolitan Borough Council

INSIDE THIS PLAN

Reference:	Bury MBC Audit Plan 2005-2006 - Final (2)
Date:	June 2005

Introduction

This Plan sets out the audit work that the Audit Commission, in their inspection role, and KPMG LLP ("KPMG"), as appointed auditors to the Authority, propose to undertake in 2005/06. The plan has been drawn up from our risk-based approach to audit planning and reflects:

- the impact of the new *Code of Audit Practice* which comes into effect in April 2005;
- your local risks and improvement priorities;
- current national risks relevant to your local circumstances; and
- the impact of International Standards on Auditing (UK and Ireland) (ISAs).

Your relationship manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.

Our responsibilities

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.

The *Code* has been revised with effect from 1 April 2005. The key changes include:

- the requirement for KPMG to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
- a clearer focus on overall financial and performance management arrangements.

Such corporate financial and performance management arrangements form a key part of the system of internal control and include:

- the establishment and monitoring of the achievement of strategic and operational objectives;
- the audited body's policy and decision-making processes;
- arrangements to ensure that services meet the needs of users and taxpayers and for engaging with the wider community;
- the arrangements to ensure compliance with established policies, procedures, laws and regulations;
- the identification, evaluation and management of operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- where applicable, arrangements to ensure compliance with the general duty of best value;
- the arrangements for the management of financial and other resources, including systems of internal financial control, and arrangements for the reporting of financial information;
- the audited body's framework for performance management, including arrangements to ensure data quality; and
- the arrangements to ensure that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption (*Code of Audit Practice 2005 Consultation Draft* – paragraph 19).

The Authority is responsible for reporting on these arrangements as part of its annual Statement on Internal Control (SIC).

Note that the *Code* at present remains in draft. Once the *Code* is finalised, KPMG will inform the Authority and consider the impact on this Plan. KPMG will then refresh or reissue this Plan as appropriate.

Further details for the new *Code* are set out in Appendix 1.

Overview of the Plan

Guidance on content

In framing our Audit and Inspection Plan for this year we have taken account of:

- the requirements placed by the draft *Code of Audit Practice* and *Annual Letter of Guidance* to auditors, prepared by the Audit Commission;
- discussions with officers of the Authority and discussions with statutory inspectors; and
- Auditor Briefings produced by the Audit Commission, including the *National Risk Assessment Tool* (NRAT).

The NRAT sets out the key national issues affecting local authorities, and requires an initial assessment of the arrangements an authority has in place to address and manage the risks associated with these issues. At this stage KPMG carried out an initial assessment through discussions with the Chief Executive, Assistant Chief Executive and Director of Finance and E-Government. If risks arise from subsequent meetings with service directors we will consider the risks as they arise. This is in line with the audit plan being a live document which responds to residual risk faced by the Authority.

The fee

The total fee estimate for the audit and inspection work planned for 2005/06 is £260,470 (2004/05: £315,000). The fee is based on the Audit Commission's fee guidance contained within its operational plan and reflects the Council's Comprehensive Performance Assessment (CPA) overall score of good.

This fee excludes the cost of:

- certifying grant claims and returns;
- responding to questions and objections from local electors; and
- certain specialised reporting – for example, accounting opinions for PFI/PPP transactions.

This work will be billed on a grade-related basis in accordance with Audit Commission fee scales.

Further details are provided in Appendix 2 including the assumptions made when determining the fee.

KPMG's element of this fee includes assumptions around the audit work required in support of the Use of Resources conclusion and key lines of enquiry. These are currently being developed by the Audit Commission. When details are finalised, KPMG will discuss these with the Authority and incorporate them into a refreshed version of the Audit and Inspection Plan, if appropriate.

Changes to the Plan and the fee may be necessary if our risk assessment changes during the course of the audit, or in response to the finalisation of KPMG's Use of Resources work by the Audit Commission. The Authority will be formally advised of and consulted on any changes if this is the case.

The team

Name	Title	Role
Adrian Lythgo	Engagement Director	Adrian Lythgo is responsible for quality assurance of the overall KPMG audit.
Jillian Burrows	Audit Manager	Jillian Burrows is responsible for the overall management of the client relationship and the performance management work.
Tim Cutler	Audit Manager	Tim Cutler is responsible for the financial statements aspect of the work, including liaison with Internal Audit and management of the grant claims audit programme.
Rashpal Khangura	Assistant Manager	Rashpal Khangura is responsible for the on-site delivery of our interim and final audit.
James Foster	Relationship Manager	James Foster is responsible for the co-ordination of the Authority's inspection work, including liaising with the audit team as required.

KPMG is 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.

In relation to the audit of your financial statements KPMG will comply with the Commission's requirements in respect of independence and objectivity as set out at Appendix 3.

Planned outputs

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

Planned output	Start date	Draft due date	Key contact
Audit and Inspection Plan	March 2005	April 2005	Engagement Director
2005/6 BVPP opinion and report on outturn BVPIs	July 2005	December 2005	Engagement Director
Use of Resources – Scored Judgement	TBC	TBC	Engagement Director
Accounts audit report	July 2006	September 2006	Engagement Director
Use of Resources conclusion	TBC	TBC	Engagement Director
Inspection of the ALMO	October 2005	TBC	Relationship Manager
Annual audit and inspection letter (including direction of travel assessment)	October 2006	December 2006	Relationship Manager

Complaints

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Adrian Lythgo, who is the engagement director to the Authority: Tel. 0113 231 3148, e-mail adrian.lythgo@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161

236 4000, e-mail trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission.

After this, if you still dissatisfied with how your complaint has been handled, you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Audit Commission, 1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ or by e mail to complaints@audit-commission.gov.uk. Their telephone number is 020 7166 2349, textphone (minicom) 020 7630 0421.

Status of our reports to the Council

We will provide reports, or other output as agreed, to the Authority covering the risk areas identified above.

Reports are:

- *prepared for the sole use of the Authority;*
- *not to be disclosed to a third party or quoted or referred to without our consent; and*
- *written without assuming any responsibility by ourselves to any other person.*

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 addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.*

ISA 260 Communication of audit matters to those charged with governance *requires us to report relevant matters relating the audit to those charged with governance. For the Council, KPMG has previously agreed that this responsibility will be discharged by reporting relevant matters to the Audit Committee.*

Summary of key audit and inspection risks

This section summarises our assessment and the planned response to the key audit risks which may have an impact on Audit Commission inspection work and KPMG's 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; and
- provide a report on the Council's Best Value Performance Plan (BVPP).

The 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.

Risk areas identified through the risk assessments conducted with the Authority include the following:

- Governance arrangements around new service delivery arrangements, particularly the ALMO and joint venture;
- Medium term financial planning and its links to "Bury 2G" performance management, the community plan and service delivery;
- E-Government and associated changes to processes and organisational culture;
- Risk management at a departmental level; and
- Annual Efficiency Statement for Gershon efficiency savings.
- Relevant cross-cutting and national risks that affect both the council and other relevant organisations

The full list of risks is summarised at Appendix 4 and the risks are discussed in detail in the following sections.

CPA and inspections

Following the Council's classification as a 'good' council in the December 2004 CPA update, we have applied the principles of strategic regulation. As a consequence our inspection activity will focus on the following:

- Direction of travel statement
- Corporate assessment.

EXHIBIT 2: SUMMARY OF INSPECTION ACTIVITY

Inspection activity	Reason / impact
Direction of travel statement.	This is an annual assessment carried out at all councils and assesses the progress you are making in achieving continuous improvement. The conclusions will be included in the CPA scorecard update.
Inspection	An inspection of the Housing Arms Length Management Organisation (ALMO), known as Six Town Housing. This inspection will focus on the housing functions delegated by the council to the ALMO. This is funded by the ODPM

Audit of Financial Statements

Scope of KPMG's work

The draft *Code* states that "it is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
- maintain proper accounting records; and
- prepare financial statements that present fairly the financial position of the body and its expenditure and income" (paragraph 13).

Auditors' responsibilities are then defined in terms of giving an opinion on the financial statements which concludes on "whether they present fairly the financial position of the audited body and its expenditure and income for the year in question and whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards" (paragraph 15). This includes consideration of wider arrangements over, for instance, laws and regulations, as required by ISAs.

The system of internal control

The Authority is responsible for putting into place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and to ensure proper stewardship and governance, regularly reviewing the effectiveness of these arrangements.

KPMG's audit work will draw upon the Authority's system of internal control for assurance. The work will be conducted in accordance with the relevant auditing standards, notably:

- ISA240 (Revised) *Fraud in Financial Statement Audit* for work on fraud and corruption;
- ISA250 *Consideration of Laws and Regulations in an Audit of Financial Statements* for work on the arrangements for ensuring the legality of financial transactions; and
- ISA400 *Risk Assessments and Internal Control* in understanding the Authority's financial systems and controls.

The new auditing standard for fraud, ISA240 (Revised) responds to the increased sensitivity to fraud in the financial reporting environment and the importance given to auditors' work on fraud. As a result, it is more specific than previous standards about auditors' work, which must now include, as a minimum, discussions with the Chief Executive and with Members, which was not previously specified.

Note that ISA240 (Revised) does not change the relative responsibilities of the Authority and its auditors. Members and management retain the primary responsibility for preventing and detecting fraud and corruption, whilst auditors report on fraud as it materially affects the accounts and additionally, under Audit Commission arrangements, review the Authority's arrangements to deliver its responsibilities.

It is the Authority's duty to have in place adequate arrangements to ensure the legality of transactions which might have a financial consequence. KPMG will review these arrangements, in accordance with the relevant standards, through review of minutes, consideration of national risks from the NRAT and discussions with statutory officers.

KPMG should not be relied upon by the Authority to identify all legal issues that may affect their business. KPMG would expect to be informed of any contentious legal issues as they arise.

The Authority is required to articulate its internal control arrangements through preparing and publishing a Statement on Internal Control as part of its financial statements. KPMG review this and comment, in their audit report, on its compliance with the requirements for the Statement and on its consistency with KPMG's knowledge of the system of internal control gained through other audit work.

The system of internal control is also a source of assurance for KPMG's work on the Authority's use of resources, as detailed in the next section.

Issues for the accounts audit

In forming the opinion on the Authority's financial statements, KPMG consider compliance with the local authority SORP. The relevant document for 2005/6 year will be the 2005 SORP, currently in draft.

KPMG will consider the impact of accounting changes in the 2005 SORP once it is finalised as part of the accounts audit, additionally considering other recent accounting changes including the changes to group accounting requirements (in force from 2004/5) and FRS17 *Retirement Benefits* (from 2003/4).

The accounts timetable is being brought forward under the Accounts and Audit Regulations 2003. For 2005/6, the Authority is required to approve the financial statements by 30 June 2006 and publish them by 30 September 2006. KPMG will discuss with officers a suitable timetable for the audit work over the coming year.

The drive to bring the accounts timetable forward is linked to the Whole of Government Accounts agenda. In order to produce consolidated accounts for the whole public sector, the Treasury require all authorities to complete proforma information based on their financial statements. This will be required for the first time in 2004/5, as an unaudited dry run; 2005/6 will be the first year in which there is an audit requirement, so this is another factor which will need to be considered in determining the accounts production and audit timetable. KPMG will discuss this issue with officers over the coming year.

The advancing accounts timetable will increasingly affect the way in which authorities close down their accounts. As the time available to finalise outturn figures, the use of estimation will become increasingly prominent. KPMG will discuss with the Authority the extent to which estimation is used for material figures in the financial statements and the appropriateness of the processes in place.

Summary of main risks – accounts audit

On the basis of work to date, KPMG has identified the following accounts audit risks:

Group Accounting

The main change in the 2004 SORP is the requirement to adopt group accounts. Full compliance with the SORP is required for the 2005/6 Statement of Accounts. The Authority is at risk of not reflecting its true position if it does not identify all material interests in third party organisations which require incorporation and disclosure within the financial statements.

Annual Efficiency Statement

The Government's Spending Review effectively set efficiency savings of 2.5% per annum for the three financial years beginning 2005/6. This review was based on the Review of Public Sector Efficiency commissioned by the Government and conducted by Sir Peter Gershon. Guidance is still being published, however one of the requirements is the publication of an Annual Efficiency Statement that will be subject to audit review. The risk is that the Authority does not comply with the guidance in producing the Annual Efficiency Statements.

Please note the 2004/05 financial statements has not yet been completed, so planning for the 2005/06 financial statements audit will continue as the year progresses. This will take account of:

- the Audit Commission's 2004/05 opinion audit;
- KPMG's documentation and initial testing of material systems; and
- KPMG's assessment of the 2005/06 closedown arrangements.

The final plan and fee for the accounts audit will be determined once this work has been completed, taking account of the level of risk.

Use of resources

The proposed new *Code of Audit Practice* requires KPMG to issue a conclusion on whether the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in the use of your resources. In meeting this responsibility, KPMG will review evidence that is relevant to the Council's corporate performance management and financial management arrangements.

As noted above, auditors draw on the Authority's system of internal control for assurance in completing this work.

Use of Resources conclusion

KPMG is required under the new *Code* to issue a "conclusion whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources" (paragraph 32(d)).

Note that, at present, the details of the work KPMG will be required to perform in support of its Use of Resources conclusion and Auditor Scored Judgement for CPA have not been finalised. Therefore it is not possible to finalise the fee for this element of the audit work. KPMG will notify the Authority when these details are finalised and discuss with the Authority and the Audit Commission any implications for this Plan.

Best Value

Auditors' responsibilities over Best Value remain unchanged for 2005/6. KPMG will review the Best Value Performance Plan and issue a formal opinion on compliance with statutory requirements. KPMG will also audit the Authority's Best Value Performance Indicators (BVPIs), issuing an audit report to the Audit Commission accompanied by the Authority's BVPI outturn data for 2004/5 to add to the national data set.

The draft *Code* proposes that the BVPP opinion be brought together with the Use of Resources conclusion". However, given that the requirement in primary legislation to issue an opinion on the BVPP remains, it is unclear at present how this will be brought about.

Summary of main risks

Applying cumulative knowledge and experience, including the results of previous Audit Commission work and other regulators' work, KPMG has identified the following areas of audit risk to be addressed.

Governance arrangements on new service delivery methods

The Authority is in the process of creating an ALMO and forming joint venture arrangements alongside an existing pooled budget arrangement. If the Authority does not have effective governance arrangements to be able to effectively monitor and manage these new service delivery methods there is a risk that the desired outcomes of these arrangements may not be achieved and the Council is therefore unable to deliver its corporate plan priorities.

Medium Term Financial Plan (MTFP)

The MTFP is the key financial management document that underpins the Corporate Plan and with the requirement for efficiency savings this places greater emphasis on financial management. If the Council does not develop an appropriate MTFP with clear links to the "Bury 2G" performance management framework and the community plan, it is at risk of not being able to realise its strategic objectives and visions.

E-Government

The risks to the Authority are that the national timetable is not met and the technological changes are not accompanied by changes in processes and organisational culture that are needed to drive efficiencies. This is particularly important in the development of CRM for the Council and its ability to maintain high levels of service delivery to residents of the borough.

Risk Management

The Authority has developed a risk management framework and has identified the risks to strategic and corporate objectives. However, in common with many Councils, there is a risk that the Authority has not fully aligned its risk management arrangements to ensure that operational and strategic risks are managed at appropriate levels so that the real threats to the Council's priorities are mitigated.

Note that KPMG's element of this fee is based on assumptions around the audit work required in support of the Use of Resources conclusion and key lines of enquiry. When details of the requirements are finalised, KPMG will notify the Authority of these and incorporate them into a refreshed version of the Audit and Inspection Plan, if appropriate. The fee included in this plan assumes the cost of this work to be £30,000 to complement work carried out on specific reviews.

Grant claim certification

KPMG will certify the Council's grant claims on request, and apply the Audit Commission's revised arrangements for the certification of these schemes, first introduced for claims in the 2003/4 year, as follows.

- Auditors are not permitted to certify claims for £50,000 or below.
- Claims between £50,001 and £100,000 will be subject to reduced certification work.
- The approach to the certification of claims over £100,000 is proportionate to the auditor's assessment of the control environment, drawing on management's own assurances obtained before the Authority completes its own certification of the claim. Where a robust control environment is evident, the auditor's approach is the same as for the smaller claims above; otherwise, detailed testing is undertaken on the same basis as in 2002/3 and preceding years.

The audit fee quoted above does not include the cost of certifying grant claims and returns. This work will be charged on a grade-related fee basis at Audit Commission rates, according to the grade of staff and time taken to carry out this work. KPMG will advise the Authority of the costs for each grant claim certified.

APPENDIX 1

The new *Code of Audit Practice*

The Audit Commission's objectives in revising the *Code*

The Commission's objectives in revising the *Code* are to achieve the following key outcomes:

- a more streamlined audit targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, with a focus on audited bodies' corporate performance and financial management arrangements; and
- better and clearer reporting of the results of audits.

The new *Code* has been developed on the basis of the Commission's model of public audit, which now 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.

The main changes being made through the introduction of the new *Code*

The main changes being introduced through the new *Code* are:

- auditors' three responsibilities under the old *Code*, in relation to the financial aspects of corporate governance, the accounts and performance management, will be replaced by two responsibilities in relation to the accounts and use of resources, thereby mirroring their statutory responsibilities under the Audit Commission Act 1998. Auditors' work in relation to the financial aspects of corporate governance will in future largely be covered by their work on the accounts – reflecting recent developments in auditing standards – with audit work in relation to financial standing carried out as part of the work in relation to the use of resources;
- a clear focus, in auditors' work on audited bodies' arrangements for the use of resources, on overall financial and performance management arrangements. This work supports a new requirement for an explicit annual conclusion by the auditor in relation to audited bodies' arrangements for securing value for money in the use of their resources;
- a more explicit focus on improvement (through the risk assessment process) and on the need for auditors to have regard to the risks arising from audited bodies' involvement in partnerships and joint working arrangements and, where appropriate, to 'follow the public pound' into and across such partnerships;
- an emphasis on clearer, more timely reporting based on explicit conclusions and recommendations; and
- a new style narrative audit report to meet statutory and professional requirements.

Note that the *Code* at present remains in draft. Once the *Code* is finalised, KPMG will inform the Authority and consider the impact on this Plan. KPMG will then refresh or reissue this Plan as appropriate.

APPENDIX 2

Audit and inspection fee

Audit area	Plan 2004/05	Plan 2005/06
Planning, management and reporting*	N/A	£55,000
Accounts*	N/A	£99,000
Use of resources*	N/A	£89,470
Total audit fee	**£251,000**	**£243,470**
Inspection	£64,000	£17,000
Total audit and inspection fee	**£315,000**	**£260,470**
Grant claim certification	£130,000	£120,000

** Comparative information is not available for 2004/05 due to the change in the* Code of Audit Practice *which has reduced the three areas under the old* Code *to two areas.*

The total audit and inspection fee compared to the indicative fee banding equates to 12 per cent above the mid-point.

The fee (plus VAT) will be charged in four equal instalments from June 2005 to March 2006.

Assumptions

In setting the fee, KPMG have assumed that:

- 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 systems that provide figures in the financial statements sufficient that we can place reliance for the purposes of our audit reflecting the requirements of ISA400 *Risk Assessments and Internal Control*;
- officers will provide good quality working papers and records to support the accounts;
- officers will provide requested information within agreed timescales; and
- officers will provide prompt responses to draft reports.

Where these requirements are not met, KPMG may be required to undertake additional work which is likely to result in an increased audit fee.

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

- new risks emerge; and
- additional audit work is required by the Audit Commission or other regulators.

Moreover, KPMG's element of this fee is based on assumptions around the audit work required in support of the Use of Resources conclusion and key lines of enquiry. When details of the requirements are finalised, we will notify the Authority of these and incorporate them into a refreshed version of the Audit and Inspection Plan, if appropriate.

APPENDIX 3

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 ISAs when auditing the financial statements. ISA 260 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. Ethical standard 1 also places requirements on auditors in relation to integrity, objectivity and independence.

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.

KPMG, as appointed 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.

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.

Identified risks/challenges for 2005/06

Risk level	Risk title	Risk description	Code objective / inspection	KPMG work	Audit Commission work
High	Governance arrangements on new service delivery arrangements	The creation of the ALMO and the formation of joint venture arrangements present a governance risk. If adequate governance arrangements are not implemented the Authority will not be able to effectively monitor and manage these new service delivery methods and as result may be unable to deliver its corporate plan priorities.	Use of resources	We will review of the governance arrangements the Authority puts into place in respect of these newly formed service delivery mechanisms to ensure that these are sufficient for effective monitoring and management of service objectives and effective use of resources.	
High	Medium Term Financial Plan (MTFP)	If the Council fails to develop an appropriate MTFP with clear links to the "Bury 2G" performance management framework and the community plan, it is at risk of not being able to realise its strategic objectives and visions.	Use of Resources	A health check review of the Authority's MTFP and links to performance management and service planning, including the effect of additional investment on service improvement outcomes. This would include consideration of mechanisms to move resources in line with priorities and its wider approach to procurement including working with "Centres of Excellence".	

Risk level	Risk title	Risk description	Code objective / inspection	KPMG work	Audit Commission work
High	Direction of travel statement.	This is an annual assessment carried out at all councils and assesses the progress you are making in achieving continuous improvement.	Inspection		We will review progress made during the year and feed the conclusions into CPA scorecard update.
High	Inspection of ALMO	An inspection of the Housing Arms Length Management Organisation (ALMO), known as Six Town Housing.	Inspection		Undertaken by the Housing Inspectorate, this inspection will focus on the housing functions delegated by the council to the ALMO. This is funded by the ODPM
High	Group Accounting	Full compliance with the group accounting requirements of the SORP is required for the 2005/6 accounts. The Authority is at risk of not reflecting its true position if it does not identify all material interests in third party organisations which require incorporation and disclosure within the financial statements.	Audit of the Financial Statements	Review of the Authority's process for identifying and assessing whether entities which the Authority has an interest in are risk assessed and treated correctly in the financial statements. This would include ensuring adjustments comply with UK GAAP.	

Risk level	Risk title	Risk description	Code objective / inspection	KPMG work	Audit Commission work
Medium	Risk Management	There is a risk that the Authority has not fully aligned its risk management arrangements to ensure that operational and strategic risks are managed. The Council is developing its approaches to performance and risk management. It wants to ensure that both are focussed on the achievement of organisational objectives and priorities.	Use of Resources	A review of the Authority's risk management arrangements with particular focus on the degree to which risk management operates and facilitates the achievement of organisational objectives and is incorporated at a Director level.	
Medium	E-Government	The risks to the Authority are that the national timetable is not met and the technological changes are not accompanied by changes in processes and organisational culture that are needed to drive efficiencies.	Use of Resources	An ongoing review of the Authority's progress on implementing the national timetable and review of the way technological changes have driven service redesign to gain from efficiencies.	
Medium	Annual Efficiency Statement	The risk that the target 7.5% Gershon savings are not achieved by 2007/08 and that the Council makes an inappropriate declaration if the statement is not a true reflection of efficiencies achieved.	Use of Resources	On going review and challenge of the process and evidence to support the Statement to ensure efficiencies that are planned are achieved.	

Risk level	Risk title	Risk description	Code objective / inspection	KPMG work	Audit Commission work
Medium	Financial Statements	The risk that financial statements are inappropriately stated increases as a result of the accelerated timescales dictated by the 2003 Accounts & Audit regulations. There is an added risk in that the Authority must also comply with the Whole of Government Accounts (WGA).	Audit of Financial Statements	We will carry out a risk-based audit of the financial statements. This will incorporate a review of readiness to meet the earlier publication timetable and the WGA return.	
Medium	Statement of Internal Control	There is a risk that a qualified statement has to be made if the Council has made insufficient progress towards achieving compliance with the standards.	Audit of Financial Statements	Ongoing review and challenge of the processes and evidence supporting the statement to ensure that effective controls are operational.	
Medium	Social Services Financial Position	The Authority has put into place a project board to manage/monitor actions taken to address the risks as they arise and address the financial consequence. There remains a risk that this board approach may not develop sufficiently quickly to avoid overspending which may result in resources being diverted from corporate priority areas which are essential to meet strategic objectives.	Use of resources	An ongoing review and challenge of the action taken by the project board's action to manage the pressures on the Social Services' budget.	

Risk level	Risk title	Risk description	Code objective / inspection	KPMG work	Audit Commission work
Medium	Children's placements	There is a risk that the council is not maximising benefits in the commissioning and monitoring of children's placements. Current costs of delivering placements are high and there is the potential to provide better quality and more efficient services across Greater Manchester.			We will work with a number of councils and potentially other bodies to help deliver improved outcomes and better use of resources for children's placements through: • Assessing whether the current approaches represent value for money; • providing shared learning and facilitation opportunities to enable <councils> to use best practice in this area; • identifying the key barriers and possible solutions to achieving better outcomes and better use of resources; and • addressing issues of improved financial standing and performance management.

Risk level	Risk title	Risk description	Code objective / inspection	KPMG work	Audit Commission work
Medium	Health inequalities	Tackling health inequalities is an important priority across Greater Manchester and its successful delivery relies on strong partnership working. There is a risk that current arrangements are not effective and efficient in delivering improvements. There is scope to drill down and assess how the council works with others to deliver outcomes and shift resources to areas of greatest need.			Working across health and local government providers we will challenge current approaches to healthier communities and the impact that partnerships are making. This work will include: • Providing shared learning and facilitation opportunities to identify and use best practice in this area. • Identifying the key barriers to achieving better outcomes, appropriate and managed budgets and, better use of resources. • Identify relationships between needs and commissioning strategies.

Risk level	Risk title	Risk description	Code objective / inspection	KPMG work	Audit Commission work
Low	Use of Resources Judgement	A risk of an inappropriate judgement.	Use of Resources	The Audit Commission is in the process of developing an appropriate methodology which will be applied at all single tier local authorities by their appointed auditors.	
Low	Integrated social needs transport	We will be scoping the cross-cutting work on Integrated Social Transport Needs in 2005/06. The outcomes are likely to be reported as part of the 2006/07 audit.			This work will focus on: Identifying inconsistencies in the provision of social needs transport across localities; Reviewing how the council contributes to the delivery of special and social needs transport; Highlighting the scope for cross-sector efficiency savings; and Raising awareness of the key risks in the delivery of this work to help ensure a strong and sustained commitment from all stakeholders

Risk level	Risk title	Risk description	Code objective / inspection	KPMG work	Audit Commission work
Low	Housing Management Function	As a result of the ALMO there is a risk that the residual housing management function does not having sufficient capacity to undertake its statutory responsibilities.	Use of Resources	An ongoing review of the Authority's progress in establishing a residual housing management function.	
Low	Review of Internal Audit	The risk that Internal Audit: • does not comply with the CIPFA Code of Practice; and • undertake insufficient coverage of the new systems in place or to support the Statement of Internal Control therefore increasing external audit input and increasing the audit fee.	Audit of Financial Statements	A review of Internal Audit against the CIPFA standards and the Authority's own objectives for the service and maintained dialogue with the Chief Internal Auditor.	
Low	BVPP	A risk of a qualified opinion.	Use of Resources	A review of the BVPP and the process it includes.	
Low	BVPIs	The risk is that the Authority has inappropriate performance measurement and comparison with the potential impact on service improvement.	Use of Resources	Risk based audit of the Authority's BVPIs and ongoing comment on definitions and developing collection arrangements.	

Helping us to meet your expectations

Summarised below is the standard that we (KPMG) will work to when performing your audit, alongside the inputs required from the Authority to ensure that this standard can be met. This expectation of your support represents the assumption on which the audit fee has been based. If these assumptions are inaccurate then additional work may be required to complete the audit. This work will be charged to the Authority in line within the Audit Commission's grade-related fee structure.

How we will conduct ourselves		Our expectation of your support	
Listening to your concerns	☑ We will be proactive in developing relationships with staff through the Authority where our audit work requires their input. ☑ We will ensure that all recommendations, and in particular those relating to our performance management work, are included within our Annual Audit Letter having been agreed with the relevant officers	Audit Plan	☑ Brief our staff on key issues affecting the Authority. ☑ Review and agree the draft plan.
		Interim Audit & Accounts Audit	☑ Facilitate the completion of internal audits work (particularly on the core financial systems) in good time for our visits. ☑ Ensure that key officers are available for the duration of our audit. ☑ Respond to and agree interim reports in good time. ☑ Ensure that a full draft of the accounts are available at least a week prior to the agreed start date of our audit, and that only agreed adjustments are put into the accounts following receipt of this draft. ☑ Produce the documents listed within our prepared by client request by the agreed start date of our audit.
Working together	☑ We will ensure that the Section 151 Officer and other key members of staff are kept informed of the progress of our audit work throughout the year. ☑ We will liaise with staff at all levels of the Authority to ensure that our work is appropriately planned and completed and where recommendations are made these are agreed with the likely responsible officer. ☑ We will continue to co-ordinate our work with that of internal audit and ensure that we provide appropriate proactive commentary to the finance function on issues that affect the Authority's accounts. We will always respond promptly to requests for comment on aspects of the Authority's operations, where appropriate.	Annual Audit Letter	☑ Discuss and agree draft reports in good time for the final versions to be presented to Members. ☑ Ensure that all action plans are agreed and subsequently followed up.
		Other work	☑ Agree a key Authority contact as a focal point for the study or work. ☑ Discuss and review our findings so that action plans can be fully completed and implemented. ☑ Respond promptly to requests for documents to assist us with our work.