

Audit and Inspection Plan

May 2006



# **Audit and Inspection Plan**

**Bury Metropolitan Borough Council**

**Audit 2006/2007**

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

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

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

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

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

### **Status of our reports to the Council**

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.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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## Introduction

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

## Our responsibilities

- 3 In carrying out our audit and inspection duties we have to comply with the statutory requirements governing them, and in particular:
  - the Audit Commission Act 1998 and the Code of Audit Practice (the Code) with regard to audit; and
  - the Local Government Act 1999 with regard to best value inspection and audit.
- 4 The Code defines auditors' responsibilities in relation to:
  - the financial statements of audited bodies; and
  - audited bodies' arrangements for securing economy, efficiency and effectiveness in their use of resources. Auditors are now required to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources. KPMG will give the first such conclusion by 30 September 2006 as part of the 2005/06 audit.

## The fee

- 5 For 2006/07 the Audit Commission has changed its fee scale structure and details are set out in the Commission's Work Programme and Fee Scales 2006/07. Audit fees are based on a number of variables, including the type, size, location and complexity of the audited body and the national and local risks.
- 6 Inspection fees are based on the actual number of days included in the plan for each programmed activity.
- 7 The total fee estimate for the audit work planned for 2006/07 is £255,000 and the total fee estimate for inspection work planned for 2006/07 is £19,000. This compares with a total audit and inspection fee of £260,470 in 2005/06.
- 8 In addition, KPMG LLP estimates that they will charge approximately £105,000 for the certification of claims and returns.
- 9 The audit and inspection fees include all work identified in this plan unless specifically excluded. Further details are provided in Appendix 1 which includes specific audit risk factors, the assumptions made when determining the audit fee, specific actions Bury Metropolitan Borough Council could take to reduce its audit fees and the process for agreeing any additional fees.
- 10 Changes to the plan and the fee may be necessary if the audit risk assessment changes during the course of the audit. This is particularly relevant to work related to:
  - the opinion on the 2006/07 accounts, since KPMG LLP have yet to audit the accounts for 2005/06, and detailed financial reporting requirements for 2006/07 are not yet known; and
  - work on selected performance indicators, since KPMG LLP have yet to assess your overall arrangements for securing the quality of this data and then undertake a formal risk assessment.
- 11 You will be formally advised if any changes to the fee become necessary.

## CPA and inspections

12 We have applied the principles set out in the new CPA framework, CPA – the harder test recognising the key strengths and weaknesses in Bury Metropolitan Borough Council's performance. The Council is rated as a 'two-star' council that is 'Improving well'. Our inspection activity in 2006/07 will only focus on mandatory requirements, as specified in the Commission's Work Programme and Fee scales for 2006/07. This reflects the overall quality of service performance as measured through the CPA framework. Therefore our inspection work will be:

- the Relationship Manager role; and
- the direction of travel assessment.

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**Table 1 Summary of inspection activity**

Inspection activity	Reason/impact
Relationship Manager role	To act as the Commission's primary point with the authority and the interface at the local level between the Commission and the other inspectorates, Government Offices and other key stakeholders.
Direction of travel statement	To provide focus for continuous improvement and to include in CPA scorecard.

## Summary of key audit risks

- 13 This section summarises KPMG LLP's assessment and the planned response to the key audit risks which may have an impact on KPMG LLP'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;
  - undertake audit work in relation to specified performance indicators to support the service assessment element of CPA; and
  - provide a report on the Council's best value performance plan (BVPP).
- 14 In assessing risk, KPMG LLP have considered the results of the use of resources audit programme from 2005/06 and the Council's 2004/05 accounts audit process. KPMG LLP have also had discussions with the Chief Executive, Assistant Chief Executive and Director of Finance and E-Government about the risks facing the Council, however discussions with service directors have yet to take place. If risks arise from subsequent meetings with these directors, they will be considered in the context of the audit plan and any additional work will be completed as is considered necessary. This is in line with the audit plan being a live document which responds to residual risk faced by the Council.
- 15 KPMG LLP's 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, KPMG LLP will perform work as appropriate to enable them to provide a conclusion on your arrangements.

## Value for money conclusion

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

## Use of resources judgement

- 17 In addition to the Code requirements described above, the Audit Commission requires auditors to make more qualitative assessments of the effectiveness of those arrangements in the form of a series of use of resources judgements. The key lines of enquiry (KLOEs) issued in June 2005 will be updated in Spring 2006 to reflect the lessons learned from the first year's experiences of applying the KLOEs, following a post implementation review of the assessment. The fee estimate for 2006/07 assumes that the KLOEs will be broadly similar to those used in 2005/06. If this changes KPMG LLP will discuss with you the implications, including any impact on the fee.
- 18 These judgements are also used by the Audit Commission as the basis for its overall use of resources judgement for the annual CPA.
- 19 Using cumulative knowledge and experience, including the results of previous work and other regulators' work, KPMG LLP have identified the following areas of audit risk to be addressed.

**Table 2 Summary of use of resources audit risks**

Audit risk	Response
<p>The Council is unable to fully demonstrate the funding of corporate priorities. Failure to fund corporate priorities may increase the risk of the Council failing to meet strategic objectives.</p> <p>The Council's financial management arrangements need to be congruent with performance management arrangements. A failure to do this may result in the risk of not improving value for money.</p>	<p>KPMG LLP will undertake a piece of work on financial management. This will review the arrangements at various levels, including the explicit links to corporate priorities, and will proactively consider and comment on proposed changes in the developmental phase.</p>
<p>There is a risk that the Council's risk management arrangements are not operating effectively and operational and strategic risks are not being appropriately managed. Further to this, risk management is not being used effectively as a management tool to achieve strategic objectives.</p>	<p>KPMG LLP will undertake a health check on the Council's risk management arrangements and will also review the degree to which it contributes to management of the Council at both a service and strategic level. Where possible, KPMG LLP will proactively comment on proposed changes to risk management arrangements to further add value.</p>



Audit risk	Response
The Council has entered into a joint venture arrangement. If adequate governance arrangements are not implemented the Council 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.	On an ongoing basis, KPMG LLP will review and comment on the joint venture governance arrangements to ensure that these are sufficient to support: <ul style="list-style-type: none"> <li>• effective monitoring;</li> <li>• management of service objectives; and</li> <li>• achieve effective use of resources.</li> </ul>
Cross-cutting work	KPMG LLP will participate in the cross-cutting audit work led by the Audit Commission across Greater Manchester which will focus on Placements and Integrated Social Needs Transportation in 2006/07.

## Performance information

- 20 Auditors are required to undertake audit work in relation to specified performance indicators to support the service assessment element of CPA. This work will be risk based and will link in part to KPMG LLP's review of the Council's overall arrangements to secure data quality as required for the Use of Resources conclusion. The fee estimate includes an element for this work on the basis that KPMG LLP will assess Bury Metropolitan Borough Council as medium risk in relation to its performance indicators.
- 21 This risk assessment may change depending on KPMG LLP's assessment of your overall arrangements. When the risk assessment has been finalised the plan will be updated, including any impact on the fee quoted above.

## Best value performance plan

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

## Financial statements

- 23 KPMG LLP will carry out the audit of the 2006/07 financial statements and comply with the International Standards on auditing (UK and Ireland).
- 24 KPMG LLP are also required to review whether the Statement on Internal Control has been presented in accordance with relevant requirements and to report if it does not meet these requirements or if the statement is misleading or inconsistent with our knowledge.
- 25 On the basis of preliminary work to date, the following audit risks have been identified:

**Table 3 Summary of opinion risks**

Opinion risks	Response
The risk that the financial statements are inappropriately stated.	KPMG LLP will carry out the audit of the financial statements in accordance with the statutory and auditing requirements.
The new systems which underpin the financial statements are not operating effectively and/or have inappropriate data migrated from the financial systems which they are replacing.	KPMG LLP will undertake a review of the new systems, bringing onboard our specialist IT staff as required, to ensure these systems are operating effectively and the data migration processes are appropriate.
Full compliance with group accounts requirements of the SORP is required for the 2005/06 accounts. However, there is a risk that issues may remain that need addressing as part of the 2006/07 audit of the financial statements.	Following the 2005/06 audit and in preparation for the 2006/07 audit, KPMG LLP will review the processes to address any emerging issues around group accounts.
The risk that the Gershon efficiency savings are not achieved or that the Council makes an inappropriate declaration which does not represent a true reflection of the efficiencies realised.	An ongoing review and challenge of the process and the evidence in place to support the Statement to ensure that processes to monitor and capture information on expected efficiencies are adequate.

- 26 The fee estimate for 2006/07 is based on the assumption that the current standard of working papers will be improved and that internal audit will complete their planned work on key information systems to the agreed quality and by 1 May 2007 and that the accounts will be prepared and fully supported by working papers by 2 July 2007.

- 27 KPMG LLP have yet to undertake the audit of the 2005/06 financial statements and the 2006/07 financial statements audit planning will continue as the year progresses. This will take account of:
- the 2005/06 opinion audit;
  - KPMG LLP's documentation and initial testing of material information systems;
  - KPMG LLP's assessment of the 2006/07 closedown arrangements; and
  - any changes in financial reporting requirements.
- 28 When KPMG LLP have finalised the risk assessment in respect of your financial statements, the plan will be updated in advance of the audit detailing the specific approach, including any impact on the fee quoted above.

## **Whole of government accounts**

- 29 The government is introducing whole of government accounts (WGA) in order to produce consolidated accounts for the whole public sector. WGA will include the accounts of local authorities and WGA data returns will be required to be audited. The Audit Commission is currently discussing the scope of the likely audit work with stakeholders. The fee for this work is referred to in Appendix 1.

## Certification of claims and returns

- 30 KPMG LLP will continue to certify the Council's claims and returns:
- claims for £50,000 or below will not be subject to certification;
  - claims between £50,001 and £100,000 will be subject to a reduced, light touch, certification audit; and
  - claims over £100,000 have an audit approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced audit approach for these claims.
- 31 Charges for this work are based on skill-related fees scales set out in the Audit Commission's work programme and fee scales 2006/07. Based on this, and on the assumption that the level of grant work will remain unchanged, we estimate that the fees for grant certification work will be around £105,000.

## Other information

### Outputs from the audit and inspection plan

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

### The team

**Table 4**

<b>Name</b>	<b>Title</b>
James Foster	Relationship Manager
Adrian Lythgo	Appointed Auditor
Jillian Burrows	Senior Audit Manager
Rashpal Khangura	Audit Manager
Heather Thornton	Audit Team Leader

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

## Future audit plans

- 35 As part of our planning process, we have taken the opportunity to look at potential issues for future years' programmes, including the scheduling of your corporate assessment and joint area review of children's services and young people which is likely to take place in 2007/08. Key areas identified include:
- The Improvement Planning Board which is being implemented to monitor the actions within the Council's CPA improvement plan. KPMG LLP will continue dialogue with the Council throughout 2006/07 with a view to undertaking more detailed work where required in 2007/08.

## Appendix 1 - Audit and inspection fee

**Table 5**

Fee estimate	Plan 2006/07	Plan 2005/06
Audit		
Accounts	136,000	127,891
Use of resources	119,000	115,579
<b>Total audit fee</b>	<b>255,000</b>	<b>243,470</b>
Inspection	0	0
Relationship management	19,000	17,000
Service inspection	0	*
Corporate inspection	0	*
<b>Total inspection fee</b>	<b>19,000</b>	<b>17,000</b>
<b>Total audit and inspection fee</b>	<b>274,000***</b>	<b>260,470</b>
Certification of grants and returns	105,000**	120,000**
Voluntary improvement work	0	0

\* *Comparative information is not available for 2005/06 due to the changed fee structure.*

\*\* *Estimated*

\*\*\* *We propose that a further £25,000 be set aside to address:*

- *risks identified in the audit plan where the fee currently included may not be sufficient to address residual risks which may have an impact on our value for money and accounts opinions; and*
- *risk issues arising from the service assessments currently being undertaken by the Council.*

- 36** The total audit fee compared to the indicative fee banding is at the mid-point.
- 37** The fee (plus VAT) will be charged in 12 equal instalments from April 2006 to March 2007.
- 38** The fee above includes all work contained in this plan except any work required in relation to the whole of government accounts. We estimate the fee to be between £1,500 and £3,000.

## Assumptions

- 39 In setting the audit fee we have assumed:
- you will inform us of significant developments impacting on the audit;
  - Internal Audit meets the appropriate professional standards;
  - Internal Audit undertakes appropriate work on all material information systems that provide figures in the financial statements sufficient that we can place reliance for the purposes of our audit recognising the shift in requirements introduced by the International Standards on Auditing (ISA);
  - officers will provide good quality working papers and records to support the financial statements by 2 July 2007;
  - officers will provide requested information within agreed timescales;
  - officers will provide prompt responses to draft reports; and
  - The Key Lines of Enquiry for our Use of Resources judgement will be broadly similar to those used in 2005/06. (These may be revised in the light of a post implementation (The key lines of enquiry (KLOEs) issued in June 2005 will be updated in Spring 2006 to reflect the lessons learned from the first year's experiences of applying the KLOEs, following a post implementation review of the assessment.)
- 40 Where these requirements are not met or our assumptions change, KPMG LLP will be required to undertake additional work which is likely to result in an increased audit fee.
- 41 Changes to the plan will be agreed with you. These may be required if:
- new risks emerge;
  - additional work is required of us by the Audit Commission or other regulators; and
  - there are any changes to financial reporting requirements, professional auditing standards or legislation which results in additional audit work.



## **Specific actions Bury Metropolitan Borough Council could take to improve the value from its audit fees**

- 42 The Audit Commission requires its auditors to inform a council of specific actions it could take to improve the value it obtains from its audit fees. We have identified the following actions Bury Metropolitan Council could take:
- a process to effectively review and sign off all working papers supporting the financial statements could be implemented to ensure that they tie in to the approved draft accounts, and clearly cross referenced to supporting evidence; and
  - Implementing a process to gather information centrally on the policies and procedures introduced or amended to enhance the Council's framework for maximising its Use of Resources. This information could form the basis of an evidence log used to support the Council's assessment of the levels it has achieved within the individual KLOEs specific to the Use of Resources audit process.

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

- 43 If KPMG LLP need to amend the audit fees during the course of this plan this will be discussed in the first instance with the Director of Finance and E-Government. A report outlining the reasons why the fee needs to change will then be prepared for discussion with the Audit Committee.

## **Appendix 2 - Criteria to inform the auditor's conclusion on proper arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

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

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

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

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

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

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

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

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

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

**Arrangements for ensuring compliance with the general duty of best value**

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

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

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

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

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

## Appendix 3 - Planned outputs

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

**Table 6**

Planned output	Start date	Draft due date	Key contact
Audit and Inspection Plan*	1 February 2006	31 March 2006	Senior Audit Manager
Interim Audit Memorandum	April 2007 *	May 2007 *	Audit Manager
BVPP Report	July 2006	December 2006	Audit Manager
Report on Financial Statements to Those Charged with Governance	August 2007	September 2007	Audit Manager
Opinion on financial statements	TBA	TBA	Appointed Auditor
VFM Conclusion	TBA	TBA	Senior Audit Manager
Final Accounts Memorandum	1 July 2007	October 2007	Audit Manager
Local Performance Work	TBA	TBA	Senior Audit Manager
Inspections	TBA	TBA	Relationship Manager
Annual Audit and Inspection Letter (including Direction of Travel Assessment)	October 2007	16 December 2007	Senior Audit Manager/ Relationship Manager

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

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

- 57 Auditors appointed by the Audit Commission are subject to the Code of Audit Practice (the Code) which includes the requirement to comply with ISA UKIs when auditing the financial statements. Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. Standards also place requirements on auditors in relation to integrity, objectivity and independence.
- 58 The standards define '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.
- 59 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.
- 60 In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. This does not automatically preclude work by another part of an accountancy firm which provides an external audit but any such work should comply with both the ethical guidelines governing the accountancy profession and the Audit Commission's standing guidance covering such circumstances.

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.

## Appendix 5 - Identified risks/challenges for 2006/07

Risk level	Risk title	Risk description	Code objective/ inspection	KPMG work	Audit Commission work
High	Financial Management including budget setting	<p>The Council is unable to fully demonstrate the funding of corporate priorities. Failure to fund corporate priorities may increase the risk of the Council failing to meet strategic objectives.</p> <p>The Council's financial management arrangements need to be congruent with performance management arrangements. A failure to do this may result in the risk of not improving value for money.</p>	Use of resources and accounts	We will undertake a piece of work on financial management. This will review the arrangements at various levels, including the explicit links to corporate priorities, and will proactively consider and comment on proposed changes in the developmental phase.	

Risk level	Risk title	Risk description	Code objective/ inspection	KPMG work	Audit Commission work
High	Risk Management	There is a risk that the Council's risk management arrangements are not operating effectively and operational and strategic risks are not being appropriately managed. Further to this, risk management is not being used effectively as a management tool to achieve strategic objectives.	Use of Resources	KPMG LLP will undertake a health check on the Council's risk management arrangements and will also review the degree to which it contributes to management of the Council at both a service and strategic level. Where possible, KPMG LLP will proactively comment on proposed changes to risk management arrangements to further add value.	
High	Direction of travel statement.	This is an annual assessment carried out at all councils to provide focus for continued improvement and to include in the CPA scorecard.	Inspection		We will review progress made during the year and feed the conclusions into CPA scorecard update.



Risk level	Risk title	Risk description	Code objective/ inspection	KPMG work	Audit Commission work
High	Placements	Following on from the cross Greater Manchester work on children’s placements in 2005/06, there is a risk that Health and Local Government partners will not achieve the move to effective new joint commissioning. This has the potential to hinder the delivery of better outcomes and work to address the high levels of external placements. Both Health and Local Government partners need to work with a variety of partnerships to achieve joint objectives and realise opportunities for enhancing financial and other capacity.	Use of resources		We will undertake children's placements follow-up work during 2006/07 and specifically look at joint commissioning arrangements.

Risk level	Risk title	Risk description	Code objective/ inspection	KPMG work	Audit Commission work
High	Integrated Social Needs Transport	There is a risk that Local Government and Health partners will provide social needs transport in isolation, both internally and across organisations. Opportunities to achieve best value for money and the user focussed services may be lost.	Use of resources		<p>With regard to Integrated Social Needs Transport across Greater Manchester, we will</p> <ul style="list-style-type: none"> <li>• follow-up work which examined inconsistencies in the provision of social needs transport across localities; and</li> <li>• look at the effectiveness of improvement activity in terms of value for money and outcomes for users.</li> </ul>

Risk level	Risk title	Risk description	Code objective/ inspection	KPMG work	Audit Commission work
High	New financial systems	The new systems which underpin the financial statements are not operating effectively and/or have inappropriate data migrated from the financial systems which they are replacing.	Accounts	We will undertake a review of the new systems, bringing onboard our specialist IT staff as required, to ensure these systems are operating effectively and the data migration processes are appropriate.	
Medium	Group Accounting	Full compliance with group accounts requirements of the SORP is required for the 2005/06 accounts. However, there is a risk that issues may remain that need addressing as part of the 2006/07 audit of the financial statements.	Accounts	Following our 2005/06 audit and in preparation of the 2006/07 audit we will review the processes to address any emerging issues around group accounts.	

Risk level	Risk title	Risk description	Code objective/ inspection	KPMG work	Audit Commission work
Medium	Joint Venture	The Council has entered into a joint venture arrangement. If adequate governance arrangements are not implemented the Council 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	<p>On an ongoing basis KPMG LLP will review and comment on the joint venture governance arrangements to ensure that these are sufficient to support:</p> <ul style="list-style-type: none"> <li>• effective monitoring;</li> <li>• management of service objectives; and</li> <li>• achieve effective use of resources.</li> </ul>	
Medium	Annual Efficiency Statement	The risk that the Gershon efficiency savings are not achieved or that the Council makes an inappropriate declaration which does not represent a true reflection of the efficiencies realised.	Accounts	An ongoing review and challenge of the process and the evidence in place to support the Statement to ensure that processes to monitor and capture information on expected efficiencies are adequate.	

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.	Accounts	We will carry out an audit of the financial statements in accordance with the statutory and auditing requirements.	
Medium	Use of Resources Judgement	A risk of an inappropriate judgement.	Use of Resources	We will compare the Council to the Key Lines of Enquiries in line with the Audit Commission's requirements for this piece of work.	
Medium	CPA specified indicators	The risk that overall arrangements to collect indicators are not adequate and individual indicators are misstated.	Use of Resources	We will carry out a review of the overall arrangements to collect performance indicators and review individual performance indicators.	
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.	Accounts	Ongoing review and challenge of the processes and evidence supporting the statement to ensure that effective controls are operational.	

Risk level	Risk title	Risk description	Code objective/ inspection	KPMG work	Audit Commission work
Low	BVPP	A risk of a qualified opinion.	Use of Resources	A review of the BVPP's compliance to the statutory requirements.	