

Audit and Inspection Plan

May 2008



Audit and Inspection Plan

Bury Metropolitan Borough Council

Audit 2008/09

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

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

Status of our reports

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

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

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Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL for the Council is Pat Johnson. She will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 3 The audit work will be undertaken by the appointed auditor, KPMG LLP ('KPMG'), and the team is led by Adrian Lythgo.
- 4 As we have not yet completed our audit for 2007/08, the audit planning process for 2008/09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 5 We comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit); and
 - the Code of Audit Practice.
- 6 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the annual governance statement); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (from April 2008) sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 8 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

Fee for audit and inspection work

- 9 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 10 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is for £311,616, which compares to the planned fee of £405,875 for 2007/08.
- 11 A summary of this is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions. A detailed breakdown of the audit and inspection fee is included in Appendix 2.

Table 1 Audit & inspection fee

Audit area	Planned fee 2008/09	Planned Fee 2007/08	Page
Audit			
Total audit fee	289,000	280,000	22
Total inspection fee	22,616	125,875	22
Certification of claims and returns (estimate)	95,000	105,000	22

- 12 The Audit Commission scale fee (which excludes grant certification fees) for Bury Metropolitan Borough Council is £268,025. The fee proposed for 2008/09 is +7.8 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.
- 13 We have set our fee based on a number of assumptions which are detailed in Appendix 2.
- 14 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.
- 15 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.

- 16 The inspection has reduced by £103,259, because in 2007/08 the Council received a Corporate Assessment.

Process for agreeing any changes in audit fees

- 17 As set out in paragraph 4, it is possible that the initial risk assessment will change as the year progress. Where this is the case, we will discuss this in the first instance with the Director of Finance and E-Government. If required, amendments to the plan will be issued and discussed with you to record revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

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

Financial statements

- 19 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks may only become apparent after we have completed our 2007/08 audit. We will discuss the need for a separate final accounts audit plan when we have issued our 2007/2008 opinion.
- 20 At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements.
- The requirement to continue to comply with the financial reporting standards covering financial instruments.
 - The second year of the application of a revaluation reserve in the Council's financial statements.

VFM conclusion

- 21 In reaching our conclusion, KPMG will review evidence that is relevant to the Council's performance management and financial management arrangements.
- 22 The key risks highlighted from our planning are summarised in the table below with details of planned work to mitigate the risks. Full details of our risk assessment are outlined in Appendix 3.

Table 2 Key risks identified

Key risks identified	Planned work to address the risk
Capital programme management does not work effectively and projects are delayed.	We will review how bids for capital programme projects are initially made and then how these projects are managed through the project lifecycle. We will also review how arrangements are used to monitor and manage the capital programme.
The Council has a number of large scale capital projects in progress, such as the Rock Development and Townside Field, which are financed via different methods, including joint venture. The risk is that the Council's management arrangements are not sufficiently robust to deliver the projects in line with expectations.	We will review on an ongoing basis, the governance arrangements for the Council's major capital projects to ensure the Council is using resources appropriately.
The Council has received a business case for a small scale voluntary transfer of Housing Stock - the Council need to consider the risks of the proposal before allowing it to proceed, otherwise there is a risk the transfer does not generate the benefits intended and/or creates other risks for the Council.	We will review the business case for the proposed Small Scale Voluntary Transfer and identify risks that need to be considered before such a transfer is made.
How arrangements in Team Bury are developing around the split on providing and commissioning services. The risk is that the Council is not getting appropriate benefits from its split on providing services and commissioning services.	We will review the Council's approach in Team Bury to developing its approach to commissioning services.
The Council is in the process of making significant changes to its pay structure.	We will review the process the Council used to review its pay structure, and compare this with our experience elsewhere.

Key risks identified	Planned work to address the risk
<p>The Council has a devolved approach to developing workforce planning, however some departmental workforce plans are still to be finalised and they are not fully aligned to other plans.</p>	<p>We will review the Council's approach to develop a workforce plan.</p>
<p>Within Bury, national targets on community safety have been met however, within Greater Manchester as a whole high crime, fear of crime and anti-social behaviour remain important resident priorities. Better joint working and collaboration can help improve outcomes in this area, with alcohol abuse an emerging problem. There is a risk that current arrangements are not maximising joint working, use of resources or performance management arrangements.</p>	<p>During 2008/09 we will continue to review the effectiveness of partnership working across Greater Manchester in relation to improving crime and improving community safety. In particular we will examine the effectiveness of arrangements to tackle the impact of alcohol abuse.</p>
<p>Inadequate arrangements to deal with Freedom of Information requests and issues raised by electors can lead to breaches of legislation.</p>	<p>Review the arrangements in place to deal with Freedom of Information requests/issues raised by electors and compare with legislation requirements and good practice from other organisations.</p>

Use of resources

- 23 This will be the first year of a new use of resources assessment which will form an element of the CAA framework. The Audit Commission has specified that auditors will complete a use of resources assessment for 2008/09.
- 24 There have been significant changes to the criteria for 2008/09, Appendix 1 outlines the criteria assessed as part of our use of resources work and our VFM conclusion. For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly.
- 25 Our initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through our continuous planning process as the year progresses.

Mandated work

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

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

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 27 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 28 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 29 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Council was categorised as two stars.
- 30 We have applied the principles set out in the CPA framework, '*CPA – The Harder Test*', recognising the key strengths and areas for improvement in the Council's performance.
- 31 On the basis of the planning process we have identified where inspection activity will be focused for 2008/09 as follows.

Table 3 Summary of inspection activity

Inspection activity	Reason/impact
Comprehensive Area Assessment Lead (CAAL) role	To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the CAAL, of how well the Council is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter. The DoT assessment summary will be published on the Commission's website.
ALMO inspection	Our Housing Inspectorate will carry out an inspection of your ALMO, Six Town Housing in October 2008.

Additional services work

- 32** We are not proposing to do any additional services work at the Council during 2008/09.

The audit and inspection team

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

Table 4 Audit and inspection team

Name	Contact details	Responsibilities
Pat Johnson Comprehensive Area Assessment Lead	p-johnson@audit-commission.gov.uk 0844 798 3581	The primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Adrian Lythgo Appointed Auditor (KPMG LLP)	adrian.lythgo@kpmg.co.uk 0113 231 3054	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Jillian Burrows Senior Manager (KPMG LLP)	jillian.burrows@kpmg.co.uk 0161 246 4705	Overall responsibility for the management of the client relationship and the Use of Resources programme of work.
Rashpal Khangura Audit Manager (KPMG LLP)	rashpal.khangura@kpmg.co.uk 0113 231 3396	Overall responsibility for the delivery of the accounts audit work and liaison with Internal Audit and other senior officers. Key point of contact for the Director of Finance and E-government.

Quality of service

- 34 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact your CAAL or Appointed Auditor in the first instance. For any complaints concerning audit work, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).
- 35 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Planned outputs

- 36 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 5 **Planned outputs**

Planned output	Indicative date	Responsibility
Audit and Inspection Plan	May/June 2008	CAA Lead & KPMG
Interim audit memorandum	June 2009	KPMG
Annual governance report (ISA260)	September 2009	KPMG
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009	KPMG
Use of resources report	To be confirmed upon issue of Auditor Guidance by the Audit Commission	KPMG
Annual Audit Letter	TBC	KPMG

Appendix 1 – Work under the Code of Audit Practice

Financial statements

- 1 KPMG will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 KPMG are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 3 KPMG are also required to review whether the Annual Government Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Government Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

- 4 The Code requires your appointed auditor to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at [his/her] conclusion.
- 5 In meeting this responsibility, KPMG will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, for example Communities and Local Government, we will normally place reliance on their reported results to inform our work.
- 6 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 7 The assessment will emphasise the importance of improved value for money outcomes for local people. It is based on wider considerations other than cost and performance. It will also look at how commissioning and procurement are improving efficiency and how non-financial resources are used to support value for money.
- 8 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor’s value for money conclusion.
- 9 The overall judgement will be based upon the evidence from three themes scored by the auditor and will give particular emphasis to the value for money outcomes being achieved. The assessment criteria below is based on our current proposals as outlined in our consultation document.

Table 1 Use of resources assessment criteria

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

- 10 KPMG will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations for improvement.
- 11 The auditor’s scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CAA.

Data quality

- 12 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
- Stage 1 – management arrangements;
 - Stage 2 – analytical review; and
 - Stage 3 – risk-based data quality spot checks of a sample of performance indicators.
- 13 Work will be focused on the overall arrangements for data quality, particularly on the responsibility of the Council to manage the quality of its data [including data from partners where relevant].
- 14 Our fee estimate reflects an assessment of risk in relation to the Council's data quality arrangements and performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at Stage 1 and we will update our plan accordingly, including any impact on the fee.

Whole of government accounts

- 15 KPMG are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 16 The Council participates in the National Fraud Initiative, which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

Certification of grant claims and returns

- 17 KPMG will continue to certify the Council's claims and returns on the following basis.
- Claims below £100,000 will not be subject to certification.
 - Claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification.
 - Claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

Electoral challenge

- 18 The Audit Commission Act 1998 gives electors certain rights. These are:
- the right to inspect the accounts;
 - the right to ask the auditor questions about the accounts; and
 - the right to object to the accounts.
- 19 As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.
- 20 In making our decision on objections raised by electors, we can take the following actions.
- Issue a public interest report, which the Council has to consider and respond to. Further to this there are also publicity requirements that councils must fulfil if they receive a public interest report.
 - Issue an advisory notice. The effect of an advisory notice is that it is not lawful for the council or any officer to do what is set out in the advisory notice until:
 - the Council has considered the consequence of doing it;
 - the Council or officer has given the auditor the required notice in writing; and
 - that notice period has expired.
 - Make a statutory recommendation, which the Council must consider within one month of receiving it at a meeting of the Council.
 - Make an application to court that an item of account is contrary to law, which if successful could result in an order for the accounts to be rectified and an order for costs to be paid.

22 Audit and Inspection Plan | Appendix 1 – Work under the Code of Audit Practice

- 21** The costs incurred in responding to questions or objections raised by electors is not part of the fee referred to in appendix 2 and paragraph 9 of the main body of this audit plan. This work will be charged on a grade related basis in accordance with the Audit Commission's fee scales.

Appendix 2 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 2 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - the Council's strategic risk register;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - you will inform us of significant developments impacting on our audit;
 - internal audit meets the appropriate professional standards;
 - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - you will identify and implement any changes required under the CIPFA SORP within your 2008/09 financial statements;
 - your financial statements will be made available for audit in line with the timetable we agree with you;
 - good quality working papers and records will be provided to support the financial statements by an agreed date;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.

- 4 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 5 Changes to the plan will be agreed with you. These may be required if:
 - new residual audit risks emerge;
 - additional work is required by the Audit Commission, KPMG or other regulators; or
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 7 The fee (plus VAT) will be charged in equal quarterly instalments from April 2008 to March 2009.

Table 2 Detailed audit and inspection fee

Audit area	Planned fee 2008/09	Planned 2007/08	Page
Audit			
Financial statements (including whole of government accounts)	145,000	140,000	18
Use of resources	124,000	120,000	18
Data quality	17,000	17,000	19
National Fraud Initiative	3,000	3,000	20
Total KPMG audit fee	289,000	280,000	-
Inspection			
Relationship management	11,308	11,060	14
Direction of Travel	11,308	11,060	14
Corporate inspection	-	103,755	-
Total inspection fee	22,616	125,875	-
Total audit and inspection fee	311,616	405,875	-
Certification of claims and returns (estimate)	95,000	105,000	20

Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
Capital Programme Management does not work effectively and capital projects are delayed.	The Council has reviewed its capital monitoring arrangement.	Yes	We will review how bids for capital programme projects are initially made and then how these projects are managed through the project lifecycle. We will also review how arrangements are used to monitor and manage the capital programme.	KLOE 2.3 - The Council manages its asset base.
The Council has a number of large scale capital projects in progress, such as the Rock Development and Townside Field, which are financed via different methods, including joint venture. The risk is that the Council's management arrangements are not sufficiently robust to deliver the projects in line with expectations.	The Council has undertaken a number of gateway reviews on major capital projects.	Yes	We will review on an ongoing basis, the governance arrangements for the Council's major capital projects to ensure the Council is using resources appropriately.	KLOE 2.3 - The Council manages its asset base. KLOE 5.2 - The Council manages and improves value for money.
The Council has received a business case for a small scale voluntary transfer of Housing Stock. The Council needs to consider the risks of the proposal before allowing it to proceed, otherwise there is a risk the transfer does not generate the benefits intended and/or creates other risks for the Council.	None	Yes	We will review the business case for the proposed Small Scale Voluntary Transfer and identify risks that need to be considered before such a transfer is made.	KLOE 5.2 - The Council manages and improves value for money

26 Audit and Inspection Plan | Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
How arrangements in Team Bury are developing around the split on providing and commissioning services. The risk is that the Council is not getting appropriate benefits from its split on providing services and commissioning services.	Arrangements are being developed through the Team Bury approach.	Yes	We will review the Council's approach in Team Bury to developing its approach to commissioning services.	KLOE 5.2 - The Council manages and improves value for money.
The Council is in the process of making significant changes to its pay structure.	Pay re - structure process is in progress.	Yes	We will review the process the Council used to review its pay structure, and compare this with our experience elsewhere.	KLOE 5.2 - The Council manages and improves value for money.
The Council has a devolved approach to developing workforce planning, however some departmental workforce plans are still to be finalised and they are not fully aligned to other plans.	The Council has a devolved approach to workforce planning.	Yes	We will review the Council's approach to develop a workforce plan.	KLOE 5.1 - The Council currently achieves good value for money.
Within Bury, national targets on community safety have been met however, within Greater Manchester as a whole high crime, fear of crime and anti-social behaviour remain important resident priorities. Better joint working and collaboration can help improve outcomes in this area, with alcohol abuse an emerging problem. There is a risk that current arrangements are not maximising joint working, use of resources or performance management arrangements.	Established partnership working and performance management arrangements include the local area agreement and crime and disorder partnership. However, these are primarily focused on local areas rather than cross-Greater Manchester.	Yes	During 2008/09 we will continue to review the effectiveness of partnership working across Greater Manchester in relation to improving crime and improving community safety. In particular we will examine the effectiveness of arrangements to tackle the impact of alcohol abuse.	KLOE 5.1 - The Council currently achieves good value for money.

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
Inadequate arrangements to deal with Freedom of Information requests and issues raised by electors can lead to breaches of legislation.	The Council has developed arrangements to deal with Freedom of Information requests.	Yes	Review the arrangements in place to deal with Freedom of Information requests/issues raised by electors and compare with legislation requirements and good practice from other organisations.	

Appendix 4 – Independence and objectivity

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

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

Appendix 5 – Working together

Meetings

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

Table 1 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive	Appointed Auditor (AA)	Quarterly	General update
Chief Executive	Comprehensive Area Assessment Lead (CAAL)	Quarterly	General update and liaison
Deputy Chief Executive and Director of Finance and E-Government	CAAL, Appointed Auditor (AA), Senior Manager (SM), Audit Manager (AM)	Quarterly	General update and progress on Audit and Inspection Plan
Director of Finance and E-Government	SM, AM and Team Leader (TL) as appropriate	Bi-monthly	General update plus: <ul style="list-style-type: none"> • Audit and Inspection Plan; • Accounts progress • Use of resources developments
Head of Finance	TL, AM as appropriate	Six weekly	Update on audit and opinion issues
Head of Internal Audit	TL, AM as appropriate	Bi-monthly	Update on audit progress and issues
Audit Committee	SM and AM, with TL as appropriate	Quarterly	Formal reporting of: <ul style="list-style-type: none"> • Audit and Inspection Plan; • Annual governance report; • Annual Audit and Inspection Letter; and • other issues as appropriate.

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate;
 - reducing travel; and
 - other initiatives.
- 4 As KPMG, we are also taking steps to improve our environmental performance. Achievements to date include:
 - all offices certified ISO14001, the leading international standard for environmental management systems;
 - our Responsible Consumption programme enables our people to actively contribute to the firm being environmentally responsible;
 - more than 40 per cent of paper purchased is recycled paper;
 - over 90 per cent of the electricity used in buildings is now from renewable sources; and
 - some 1.8 million travel miles have been saved through car sharing schemes and 1.5 million miles have been saved through audio and video conferencing.