

Audit and Inspection Plan

June 2007



# **Audit and Inspection Plan**

**Stevenage Borough Council**

**Audit 2007/2008**

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**

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 has been developed by the Relationship Manager and District Auditor. It sets out the audit and inspection work that we propose to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:
  - audit and inspection work specified by the Audit Commission for 2007/08;
  - current national risks relevant to your local circumstances; and
  - your local risks and improvement priorities.
- 2 Your Relationship Manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.
- 3 As we have not yet completed our audit for 2006/07, the audit planning process for 2007/08, 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

- 4 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.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
  - the financial statements (including the statement on internal control (SIC)); and
  - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of responsibilities of auditors and of audited bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 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.

## CPA and Inspection

- 8 The Audit Commission's Comprehensive Performance Assessment (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.
- 9 The Council's CPA category is therefore a key driver in the Commission's inspection planning process. In CPA 2004, the Council was categorised as 'good'.
- 10 We have applied the principles set out in the CPA framework, *CPA – district council framework from 2006*, recognising the key strengths and areas for improvement in the Council's performance.
- 11 Strengths and areas for improvement in the Council's performance include:
  - making improvements at an above average rate in terms of overall performance and key priority services such as recycling, composting, crime and disorder, although improvement is less strong in some public facing services such as housing benefits;
  - engaging with the community through effective consultation, providing strong community leadership and a commitment to partnership working and supporting a range of vulnerable and excluded groups in the community. Links with, and better understanding of, ethnic minorities are developing; and
  - developing an understanding of costs and value for money which will support improvements in service quality.
- 12 Following the establishment of an arms length management organisation (ALMO), in October 2006, we carried out a pre-inspection in January 2007. As this organisation develops over time, we anticipate carrying out the formal ALMO inspection in 2007/08.
- 13 On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08 as follows.

**Table 1 Summary of inspection activity**

<b>Inspection activity</b>	<b>Reason/impact</b>
Relationship Manager (RM) 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 RM, of how well the Council is securing continuous improvement. The DoT statement will be reported in the annual audit and inspection letter.
ALMO Inspection	Our Housing Inspectorate will carry out an inspection of your ALMO.

## Work under the Code of Audit Practice

### Financial statements

- 14 We will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 15 We are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.
- 16 We are also required to review whether the SIC has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the SIC is misleading or inconsistent with our knowledge of the Council.

### Use of resources

#### Value for money conclusion

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

#### Use of resources assessment

- 20 The Audit Commission has specified that auditors will complete a use of resources assessment. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 21 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.

- 22 We will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes.

Theme	Description
Financial reporting	<ul style="list-style-type: none"> <li>• Preparation of financial statements.</li> <li>• External reporting.</li> </ul>
Financial management	<ul style="list-style-type: none"> <li>• Medium-term financial strategy.</li> <li>• Budget monitoring.</li> <li>• Asset management.</li> </ul>
Financial standing	<ul style="list-style-type: none"> <li>• Managing spending within available resources.</li> </ul>
Internal control	<ul style="list-style-type: none"> <li>• Risk management.</li> <li>• System of internal control.</li> <li>• Probity and propriety.</li> </ul>
Value for money	<ul style="list-style-type: none"> <li>• Achieving value for money.</li> <li>• Managing and improving value for money.</li> </ul>

- 23 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services.
- 24 The auditor’s scores are reported to the Commission and are used as the basis for its overall use of resources judgement.

## Data quality

- 25 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 - completeness check; and
  - stage 3 - risk-based data quality spot checks of a sample of performance indicators.
- 26 The work at stage 1 will link to our review of the Council’s arrangements to secure data quality as required for our value for money conclusion and, together with the results of stage 2, will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission’s CPA assessment.



- 27 Our fee estimate reflects an assessment of risk in relation to the Council's 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.

## **Best Value Performance Plan**

- 28 We are required to carry out an audit of your annual corporate plan, which fulfils the requirement to produce a Best Value Performance Plan (BVPP). We report on whether it has been prepared and published in accordance with legislation and statutory guidance.

## Assessing risks

- 29 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 co-ordinated with the work of other regulators, and that our work helps you to improve.
- 30 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- our cumulative knowledge of the Council;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with Council officers;
  - liaison with internal audit; and
  - the results of other review agencies' work where relevant.
- 31 We have not included a detailed risk assessment for our audit of the financial statements as many of the specific risks may not become apparent until after we have completed our 2006/07 audit.
- 32 However we are aware of changes in the Statement of Recommended Practice (SoRP) for 2007/08, such as the introduction of new capital accounting requirements, and the replacement of the fixed asset restatement account with a new revaluation reserve. We have taken into account risks arising from these new requirements in our planning.
- 33 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.
- 34 Our initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through our continuous planning process as the year progresses.

## **Work specified by the Audit Commission**

### **Whole of government accounts (WGA)**

- 35 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk.

### **National Fraud Initiative**

- 36 The Council participates in the National Fraud Initiative which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on 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).
- 37 This work is billed separately from the main audit fee and is not included in the fee quoted in paragraph 43.

## Voluntary improvement work

- 38 We are not proposing to do any voluntary improvement work at Council during 2007/08.

## Certification of grant claims and returns

**39** We will continue to certify the Council's claims and returns on the following basis:

- claims below £100,000 will not be subject to certification;
- claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
- claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

**40** Charges for this work are based on skill-related fees scales set out in the Audit Commission's work programme and fee scales 2007/08 and will be charged as the work is carried out. Based on this, and on the assumption that the level of grant work will remain largely unchanged, we estimate that the fees for grant certification work will be around £73,000.

**41** There is scope to continue to reduce the fee in respect of the housing benefit grant claim. The Council has employed consultants to carry out testing prior to our work on the grant claim on which we place reliance. Further improvements could be made to controls within the housing benefit system and to reviewing and evidencing of the claim prior to our work. This would reduce the number of issues arising from our testing and hence the fee.

## The audit and inspection fee

- 42 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 43 The total indicative fee for audit and inspection work included in this audit and inspection plan for 2007/08 is £138,100 which compares with the planned fee of £130,863 for 2006/07.
- 44 In addition, we estimate that we will charge approximately £73,000 for the certification of claims and returns. Further details are provided in paragraph 38 and in Appendix 2.
- 45 Further details of how our fees are made up are provided in Appendix 2 which includes specific audit risk factors; the assumptions made when determining the audit fee, for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers; specific actions the Council could take to reduce its audit and inspection fees; and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.
- 46 As indicated in paragraphs 2 and 34, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 43 above. Any changes to the fee will be agreed with you.

## Other information

### The audit and inspection team

- 47 The key members of the audit and inspection team for the 2007/08 audit are shown in the table below.

**Table 2**

Name	Contact details	Responsibilities
Debbie Hanson District Auditor and Relationship Manager	<a href="mailto:d-hanson@audit-commission.gov.uk">d-hanson@audit-commission.gov.uk</a> 01438 351 570	The primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders. Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and value for money conclusion, the use of resources assessment and liaison with the Chief Executive and the Audit Committee.
Penny Irwin Audit Manager	<a href="mailto:p-irwin@audit-commission.gov.uk">p-irwin@audit-commission.gov.uk</a> 01438 351 570	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Strategic Director.
Gary Hammersley Area Performance Lead	<a href="mailto:g-hammersley@audit-commission.gov.uk">g-hammersley@audit-commission.gov.uk</a> 01438 351 570	Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment.

### Independence and objectivity

- 48 We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.

- 49 We comply with the ethical standards issued by the Auditing Practices Board and with the Commission’s requirements in respect of independence and objectivity as summarised at Appendix 3.

## Quality of service

- 50 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 the District Auditor in the first instance. Alternatively you may wish to contact the Eastern Sub Region Head of Operations, Susan Fenwick.
- 51 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *Something to Complain About* which is available from the Commission’s website or on request.

## Planned outputs

- 52 Our reports will be discussed and agreed with the appropriate officers before being issued to the [audit] committee.

**Table 3**

Planned output	Indicative date
Data quality report	November 2007
Use of resources report (2006/07)	December 2007
BVPP report	December 2007
Interim audit memorandum	June 2008
Annual governance report	September 2008
Opinion on the financial statements and value for money conclusion	September 2008
WGA audit certificate	October 2008
Final accounts memorandum	October 2008
Annual audit and inspection letter	TBA
Health inequalities	TBA
ALMO inspection	TBA



## Appendix 1 – Initial risk assessment – use of resources

<b>Significant risks identified</b>	<b>Mitigating action by audited body</b>	<b>Residual audit risk</b>	<b>Action in response to residual audit risk</b>	<b>Link to auditor’s responsibilities</b>
<p><b>Financial management:</b> Although arrangements for the management of the Council’s assets are generally robust, the fixed asset register is only updated annually and controls are not sufficient to ensure that all capital transactions are identified and recorded on the register on a regular basis.</p>	<p>The Council is in the process of reviewing the asset management system, in response to the changes in the SoRP 2007.</p>	<p>Yes</p>	<p>We will review the Council's arrangements to update its asset management system and its preparations for meeting the SoRP 2007 requirements. We will also update our overall review of the Council's asset management arrangements as part of our use of resources and value for money conclusion work.</p>	<p>Opinion on the financial statements Use of resources KLOE 2.3 and VFM conclusion criterion 11 - The Council has put in place arrangements for the management of its asset base.</p>
<p><b>Internal control:</b> Our work on the 2005/06 financial statements identified problems with some of the Council's key financial reconciliations, including the bank reconciliation.</p>	<p>The Council has taken action to resolve this.</p>	<p>Yes</p>	<p>We will review the Council's reconciliations to ensure these are being carried out promptly and correctly. We will also update our overall review of the Council's internal controls as part of our use of resources and value for money conclusion work.</p>	<p>Opinion on the financial statements Use of resources KLOE 4.2 and VFM Conclusion criterion 5 - The Council has put in place arrangements to maintain a sound system of internal control.</p>

<b>Significant risks identified</b>	<b>Mitigating action by audited body</b>	<b>Residual audit risk</b>	<b>Action in response to residual audit risk</b>	<b>Link to auditor’s responsibilities</b>
<p><b>Data quality:</b> Spot checks of specific performance indicators in 2005/06, in particularly for non decent homes found that a clear audit trail was not readily available.</p>	<p>The Council is reviewing its monitoring processes to strengthen its collection and analysis of performance information.</p>	<p>Yes</p>	<p>We will review the Council's arrangements for monitoring, collecting, and analysing performance information.</p>	<p>VFM conclusion criterion 4 - The Council has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.</p>
<p><b>Regeneration</b> The Council is developing plans for the regeneration of Stevenage town centre, which will also involve the development of new council offices. Weaknesses in project management could expose the Council to risk.</p>	<p>Arrangements established which minimise risk to the Council, including the use of external consultants.</p>	<p>Yes</p>	<p>We will carry out a brief overview of the project's progress to determine whether there are any risks we need to address. If that proves to be the case we would then discuss the scope, timing and fee for that work with the Council.</p>	<p>VFM conclusion criterion 3- The Council 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.  VFM conclusion criterion 7 &amp; use of resources KLOE 5.2- The Council has put in place arrangements to manage and improve value for money.</p>

<b>Significant risks identified</b>	<b>Mitigating action by audited body</b>	<b>Residual audit risk</b>	<b>Action in response to residual audit risk</b>	<b>Link to auditor's responsibilities</b>
<p><b>Health inequalities</b> Healthier communities is one of the themes in the Hertfordshire local area agreement (LAA). Tackling health inequalities as part of this will require successful partnership working across the partners to the local area agreement.</p>	<p>LAA governance and performance monitoring arrangements As part of our 2006/07 audit we undertook a high level overview of the key risk areas in relation to the LAA which identified as number of strengths as well as areas for improvement.</p>	<p>Yes</p>	<p>We have included time in the 2007/08 plan to review the theme of healthier communities (specifically health inequalities) across the LAA partners including health bodies.</p>	<p>VFM conclusion criterion 2- The Council has put into 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. Use of resources KLOE 4.2- the Council has arrangements in place to maintain a sound system of internal control. Use of resources KLOE 5.2- the council manages and improves value for money.</p>

## Appendix 2 – Audit and inspection fee

- 1 Table 4 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the planned fee for 2006/07.

**Table 4**

<b>Audit area</b>	<b>Planned fee 2007/08 £</b>	<b>Planned fee 2006/07 £</b>
<b>Audit</b>		
Financial statements	90,630	86,448
Use of resources (including BVPP and health inequalities)	28,309	27,313
Data quality	10,211	12,349
Whole of government accounts	2,460	not included in planned fee
<b>Total audit fee</b>	<b>131,610</b>	<b>126,110</b>
<b>Inspection<sup>I</sup></b>		
Relationship management	3,245	3,150
Direction of Travel	3,245	1,603
ALMO inspection	not included in main fee	not included in main fee
<b>Total inspection fee</b>	<b>6,490</b>	<b>4,753</b>
<b>Total audit and inspection fee</b>	<b>138,100</b>	<b>130,863</b>
National Fraud Initiative <sup>II</sup>	625	N/A
Certification of claims and returns (estimated)	73,000	70,000

- 2 The Audit Commission scale fee (which includes the audit and NFI fee but not the inspection fee) for Stevenage Borough Council is £126,205, based on a gross expenditure of £108 million. The fee proposed for 2007/08 is 5 per cent above the scale fee and is within the normal level of variation specified by the Commission.

<sup>I</sup> Inspection fees are net of DCLG grant

<sup>II</sup> The NFI fee will be billed separately

- 3 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.
- 4 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.
- 5 The fee (plus VAT) will be charged in 12 equal instalments from April 2007 to March 2008.

## Specific audit risk factors

- 6 In setting the audit fee we have taken into account the following specific risk factors:
  - weaknesses in the quality of working papers and supporting information provided, particularly in relation to capital, in support of the 2005/06 financial statements;
  - weaknesses in arrangements for ensuring the completeness and accuracy of the fixed asset register;
  - the impact of the changes introduced by the 2006 SORP which affect 2007/08, particularly in relation to capital accounting; and
  - issues arising during our certification of the housing benefits and council tax benefit claim for 2005/06, where cases had not been referred to the rent officer on time.

## Assumptions

- 7 In setting the fee, we have assumed that:
  - you will inform us of significant developments impacting on our audit;
  - there will be no further significant changes in personnel and fundamental systems;
  - 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;
  - officers will provide good quality working papers and records to support the financial statements by July 2008;
  - officers will provide requested information within agreed timescales;

- officers will provide prompt responses to draft reports;
  - your performance indicators will be adequately prepared and reviewed; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 8 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.
- 9 Changes to the plan will be agreed with you. These may be required if:
- new residual audit risks emerge;
  - additional work is required of us by the Audit Commission or other regulators; and
  - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

## **Specific actions Stevenage Borough Council could take to reduce its audit and inspection fees**

- 10 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit and inspection fees. The Council already performs well in its use of resources and our planned work and fee already reflects this. We have identified the following actions the Council could take in relation to its financial statements and the housing benefit grant claim:
- the Council should review and sign off all working papers supporting the financial statements to ensure that they agree to the approved draft accounts and are clearly cross referenced to supporting evidence; and
  - carry out specific case testing and review of prior year qualification issues on the housing benefit grant claim prior to our work on the claim.

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

- 11 If we need to amend the audit fees during the course of this plan we will firstly discuss this with the Chief Executive and Strategic Director. We will then prepare a report outlining the reasons why the fee needs to change for discussion with those charged with governance.

## Appendix 3 – Independence and objectivity

- 12 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).
- 13 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 14 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.
- 15 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 authority on matters which are considered to be of sufficient importance.
- 16 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.

- 17 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 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 District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
  - the District 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; and
  - the District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.