

Audit and inspection plan

Carlisle City Council

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Reference:	Carlisle audit and inspection plan
Date:	June 2004

Introduction

This plan sets out the audit and inspection work we propose to undertake in 2004/2005. The plan has been drawn up from improvement planning meetings with you, and our risk based approach to audit planning. This plan reflects the Audit Commission's elements of the co-ordinated and proportionate audit and inspection programme.

Strategic regulation

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

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

We intend to demonstrate the benefits of strategic regulation in your audit and inspection programme by undertaking less performance/inspection work due to Carlisle City Council being rated as good by CPA and by implementing a reduced grant claim regime.

Our responsibilities

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

- for our audit work
 - the Audit Commission Act 1998;
 - the Code of Audit Practice (the Code); and
 - the Local Government Act 1999;
- for our inspection work
 - the Local Government Act 1999.

We have worked with you on the improvement planning process to ensure that the work of the Audit Commission and other inspectors is co-ordinated and targeted at your key areas for improvement.

To clarify the purpose of our different responsibilities we have divided the plan into the following categories:

- assurance
- improvement
- assessment.

The fee

Our approach to determining the fee has been to consider the amount of work required to discharge our code of audit practice and other professional responsibilities. In doing this we have taken account of the extent of new initiatives which will impact on the level of audit work required. The specific risks which we have assessed as relevant to your audit in 2004/05 are explained in the following sections and reflected in the fee below.

The fee for our 2004/2005 programme of work is set out below.

Audit area	2004/05 Fee (£)	2002/04 Fee (£)
Assurance		
• Accounts	36,106	74,916
• Governance	19,300	42,813
• Use of resources	11,643	24,264
Improvement	30,629	32,907
Assessment	7,422	15,600
TOTAL	105,100	190,500

Note: the fee is net of ODPM grant

In setting the fee we have taken account of the 'good' assessment you received through CPA 2003. We have also assumed:

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

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

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

In addition to the above fee there will be a fee of an estimated £50,500 for the grant claim certification work for 2004/2005. This estimate is based on the previous year fee of £54,300 and known changes in claims. The exact fee for this work will depend on the number and complexity of claims.

The overall fee level falls within the fee envelope published by the Audit Commission.

We will be actively seeking ways to reduce this fee with the authority during the year.

Assurance

Accounts

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

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

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

We will undertake the following specific work to address the risks we have identified for 2004/2005. These risks may be liable to change as the 2004/2005 financial year progresses, and we will update our risk assessment and work programme during the year.

Risk	Action proposed
The Council has replaced its main accounting system. This is a fundamental system for production of the Statement of Accounts and financial control within the Council.	We will review the new system to obtain assurance that the statement of accounts and other financial control documentation will be adequately processed.
The prudential code comes into force as from 1 April 2004 and provides the framework for the self regulation of an authority's borrowing and capital investment plans and the financing and other revenue costs flowing from them. Non-compliance with the prudential code is an area	We will review the authority's arrangements for introducing and complying with the new code.

of substantial risk for authorities in 2004/05 due to the changes it introduces.	
Earlier closedown due to whole of government accounts is bringing deadlines forward	We will review compliance with the extensive list of working paper requirements and managed audit arrangements report provided.
The Authority is required to report publicly on internal controls. This will be done by including a Statement of Internal Controls (SIC) in its financial statements.	We will review the authority's arrangements for producing the SIC and audit the Statement during our audit of the accounts.

Expected outputs

Interim Audit Report

Report to those charged with governance (SAS 610)

Audit opinion

Final Accounts Report

Our work on your accounts does not seek either to obtain absolute assurance that the financial statements present fairly your financial position or assurance that they are accurate in every regard.

In this context we adopt a concept of materiality. In planning and conducting our audit of your accounts, we seek to ensure that there are no material errors in your financial statements. Material errors are those which might be misleading to a reader of the financial statements.

An unqualified opinion may not be given on financial statements that contain material misstatements. In the course of our work, we may also identify non-material misstatements that we will report to officers for amendment, unless they are clearly inconsequential. If officers do not make the required amendments, we will report the amendments to the Corporate Resources Overview and Scrutiny Committee so that there is an opportunity for them to be amended prior to the approval and certification of the financial statements.

Governance

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

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

We will undertake the following specific work to address the risks we have identified for 2004/2005.

Risk	Audit work proposed
The potential reorganisation of local government in Cumbria provides new opportunities and risks for the management of services in a co-ordinated way.	We will review Information Communications and Technology (ICT) licensing agreements for major systems and partnership contracts which extend beyond 2007. This will identify opportunities for joint procurement and opportunities to avoid abortive costs.
The Commission's National Fraud Initiative (NFI) will provide information that may lead to the detection of fraud.	We will assess how the council responds to the results and investigates the matches.

Expected outputs
Interim audit report
National Fraud Initiative (NFI) Report
Report on ICT and other partnership contracts and their future impact

Performance management

Overall arrangements

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

The work on your overall arrangements will be linked with our improvement and assessment work identified earlier in the plan. Additionally we will undertake the following specific work to

address the risks we have identified for 2004/2005.

Risk	Audit work proposed
Last year we gave an unqualified opinion on the council's 2003/04 BVPP. However, there were several areas for improvement noted.	We will assess how the council has responded to our comments on BVPIs and work with the council to improve arrangements.

We will also follow-up our work from previous years to ensure you have implemented agreed recommendations.

Best value

We will undertake a review of your Best Value Performance Plan (BVPP) to ensure it meets the statutory requirement in respect of its content. We will issue an opinion on this plan before the end of December 2003. We will also review and comment on your systems for collecting performance information and in particular BVPIs.

Expected outputs
Statutory Report on the Best Value Performance Plan
Certifying Best Value Performance Indicators (BVPIs)
Report on systems for collecting performance information

Improvement

Through our improvement planning meetings with you and the other inspectorates we have reached a shared understanding of your top priorities for improvement. This section sets out the Audit Commission's proposed activity linked to those improvement priorities. This work has been proposed after consultation with the other inspectorates to ensure our work programmes are co-ordinated and proportionate.

These areas of audit performance work will include:

- Housing Cumbria strategic review
- Community safety - drugs

These are all designed to be cross cutting areas of performance work to enable the council to assess their performance as it relates to the wider Cumbria agenda

Improvement priority	Action proposed
The City Vision corporate strategy states a key aim is to 'respond to crime and the fear of crime promptly and continue to make our communities safer'.	We will carry out a review of the approach adopted by all the relevant public sector organisations in Cumbria to assess the effectiveness of actions taken to reduce the impact of drugs within communities. The will consider the effectiveness of interactions in terms of arrangements, initiatives and intervention tools in meeting individual and common objectives.
The council is also part of the Crime and Disorder Reduction Partnership, which aims to create environments in which everyone can live their daily lives, safely, free from the fear or threat of crime and nuisance.	
Protecting and sustaining the environment – affordable housing. A key feature of the council's corporate plan is to co-ordinate a strategic approach to housing.	We will facilitate inter-agency support for authorities to review strategic housing issues across Cumbria.

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

Expected outputs
Report on assessing the effectiveness of agencies and authorities in reducing the impact of drugs within communities in Cumbria
Feedback on the strategic housing issues facing the council and its partners

Voluntary improvement work

Where the council requests additional work to help with the improvement agenda we will be happy to discuss detailed proposals. The fee for this work, undertaken under section 35 of the Audit Commission Act 1998, would be agreed separately with the council.

No such work has been requested as yet for the 2004/5 audit year.

Assessment

The following areas of work will be undertaken during the year:

Inspections

We will carry out a scored inspection in respect of accessible services to support the council's improvement agenda.

Reason for inspection	Inspection to be undertaken
The need to improve access to services in line with the 'e-government' timetable presents a challenge for the council and other authorities in Cumbria.	We will carry out an accessible services inspection. This will look at e-government delivery, user focus of service design and performance management.
To support the council in meeting one of its top priorities of reducing the impact of waste on the environment. This will be part of a co-ordinated inspection programme across Cumbria.	We will undertake a Waste Management inspection. This will allow us to assess partnership working across Cumbria and update our assessment of the council's performance in this important area.

Qualitative assessment of continuous improvement

We will carry out a qualitative assessment of your progress against your improvement priorities to produce a CPA improvement report.

Expected outputs
Waste Strategy inspection report
Access to Services inspection report
CPA improvement report – reported in Annual Letter

Grant claim certification work

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

- claims for £50,000 or below would not be subject to certification

- claims between £50,001 and £100,000 would be subject to a reduced, light touch, certification audit
- claims over £100,000 would have an audit approach relevant to the auditors' assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced audit approach for these claims.

The team

Name	Title
Fiona Daley	Relationship Manager & District Auditor
Tina Meyer	Audit Manager
Keith Power	Performance Lead
Barry Lennox	Team Leader
Susan Petyt	IT specialist
Mike Baker	Performance specialist

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

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

Further details of our respective Code responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and Audited Bodies

gives further information on our respective responsibilities under the Code of Audit Practice.

Reporting

We will provide reports, or other output as agreed, to the Corporate Resources Overview and Scrutiny Committee for each of the risk areas identified in the plan. Our key milestones are set out in the planned outputs section. This is prepared in draft form and will be updated regularly as work programs are agreed, and will form the basis of audit progress reports to officers and the Corporate Resources Overview and Scrutiny Committee.

We are also required to report relevant matters relating to the audit to those charged with governance. The following section on planned outputs shows how we will address this requirement.

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

Planned outputs

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

Planned output	Start date	Draft due date	Key AC contact	Key CCC contact
Audit & Inspection Plan	February 2004	April 2004	Fiona Daley, Tina Meyer, Keith Power	Peter Stybelski
Treatment of drug offenders in Cumbria report	May 2004	November 2004	Keith Power	Maggie Mooney
Waste Strategy inspection report	May 2004	July 2004	Keith Power	Richard Speirs
Access to Services inspection report	July 2004	October 2004	Keith Power	Jason Gooding
CPA Scorecard & summary from improvement report	October 2004	December 2004	Fiona Daley	Karen Hook
Interim Audit Report	January 2005	April 2005	Tina Meyer	Angela Brown
SAS610	October 2005	October 2005	Tina Meyer	Angela Brown
Audit Opinion	October 2005	October 2005	Fiona Daley	Angela Brown
Final Accounts Report	October 2005	October 2005	Tina Meyer	Angela Brown
National Fraud Initiative (NFI) Report	April 2005	May 2005	Tina Meyer	Angela Brown
Statutory Report on the Best Value Performance Plan	September 2005	December 2005	Tina Meyer	Karen Hook
Report on systems for collecting performance information	September 2005	October 2005	Tina Meyer, Keith Power	Karen Hook
Certifying Best Value Performance Indicators (BVPI's)	July 2005	September 2005	Tina Meyer	Karen Hook
Annual Letter	November 2005	November 2005	Fiona Daley, Tina Meyer, Keith Power	Peter Stybelski
Information management inspection report	January 2005	March 2005	Keith Power	Jason Gooding

The Audit Commission's requirements in respect of independence and objectivity

Auditors appointed by the Audit Commission are subject to the Code of Audit Practice (the Code) which includes the requirement to comply with Statements of Auditing Standards (SAS) when auditing the financial statements. SAS 610.3 requires auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff.

The SAS defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case the appropriate addressee of communications from the auditor to those charged with governance is xxx Committee. The auditor reserves the right, however, to communicate directly with [the Board/Cabinet etc] on matters which are considered to be of sufficient importance.

Auditors are required by the Code to:

- carry out their work with independence and objectivity
- exercise their professional judgement and act independently of both the Commission and the audited body
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest
- resist any improper attempt to influence their judgement in the conduct of the audit.

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

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner or Regional Director
- audit staff are expected not to accept appointments as lay school inspectors
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned
- auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence

- auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission
- auditors are expected to comply with the Commission's policy for both the District Auditor/Partner and the second in command (Senior Manager/Manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements)
- audit suppliers are required to obtain the Commission's written approval prior to changing any District Auditor or Audit Partner/Director in respect of each audited body
- the Commission must be notified of any change of second in command within one month of making the change. Where a new Partner/Director or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.