

Audit and Inspection Plan

Norwich City 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; 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

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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any 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 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** 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

- 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; 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 annual governance statement); 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 (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.
- 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.

Fees

- 8 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.
- 9 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is for £169,187, which compares to the amended planned fee of £182,946 for 2007/08. Our planned fee for 2007/08 was amended in the context of the significant additional audit work that was required to deliver our 2006/07 audit.
- 10 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 fee

Audit area	Planned fee 2008/09	Amended planned fee 2007/08	Page
Total audit fee	£155,375	£170,716	9
Total inspection fee	£13,812	£12,230	13
Certification of claims and returns	£54,000	£60,000	19

- 11 The Audit Commission scale fee for Norwich City Council is £157,297. The fee proposed for 2008/09 is - 1 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.
- 12 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 to that identified for 2007/08;
 - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance on that work for the purposes of our audit; and
 - good quality working papers and records will be provided to support the financial statements by 1 July 2009.

Further details of the assumptions are outlined in Appendix 2.

- 13 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.
- 14 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.

Specific actions Norwich City Council could take to reduce its audit fees

- 15 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit fees. We have identified the following actions Norwich City Council could take:
 - improve the quality of the accounts presented for audit, and ensure that all changes required by the SORP have been adequately addressed;
 - ensure that an officer, not directly involved with the preparation of the accounts, reviews the financial statements in terms of their presentation;
 - provide comprehensive working papers to support all entries in the financial statements at the start of the accounts audit. This should include all items requested in our working papers requirements listing;
 - ensure that an officer not directly involved with the preparation of the accounts reviews and signs 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;
 - ensure that staff with appropriate knowledge and skills are involved with the preparation of the financial statements and are available to respond to audit queries; and
 - appoint a grant claims co-ordinator to ensure that all grants are submitted for audit by the return deadline and with full supporting working papers.

Process for agreeing any changes in audit fees

- 16 As set out in paragraph 4, we expect that the initial risk assessment may change as the year progresses. Where this is the case, we will discuss this in the first instance with the Head of Finance. Supplements to the plan will be issued to record any revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

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

Financial statements

- 18 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks may become apparent after we have completed our 2007/08 audit. A separate opinion plan for the audit of the financial statements will be issued in December 2008.
- 19 At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements:
- weak financial reporting arrangements in 2006/07 and earlier years. The auditor has issued statutory recommendations under section 11 of the Audit Commission Act 1998 in respect of this matter;
 - weaknesses in some internal control arrangements in 2006/07 and earlier years;
 - potential revisions to reporting arrangements under the 2008 SORP;
 - a need to carry out a triennial assessment of Internal Audit; and
 - changes in financial services' staff in 2008.

VFM conclusion

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

Table 2 Key risks identified

Key risks identified	Planned work to address the risk
Internal control is weak in certain areas and risk management developments are recent and unproven.	<p>We will review the progress on implementation of areas of improvement as part of our 2008 Use of Resources work.</p> <p>We will consider the results of our 2007/08 audit tool 'Changing Organisational Culture' which benchmarks the Council against a national database to identify priorities for improvement.</p> <p>We will assess whether internal control arrangements have improved as part of our systems work.</p>
Overall the Council received a 1 score for its 2007 use of resources which represents an inadequate level of performance.	We will review the progress on implementation of areas of improvement as part of our 2009 Use of Resources work.
All Norfolk local authorities are currently involved in the Boundary Committee's consideration of potential reorganisation.	We will keep a watching brief on unitary status developments.

Use of Resources 2007/08

- 22 This audit plan covers the last year of the current regime for Use of Resources assessment as part of the CPA framework. The work required to arrive at the 2007/08 Use of Resources assessment is fully aligned to that required to arrive at the auditor's 2007/08 Value for Money conclusion.
- 23 Appendix 1 outlines the criteria and scoring.
- 24 The 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

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

- data quality for 2007/08;
- whole of government accounts; and
- National Fraud Initiative.

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 26 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.
- 27 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. The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process
- 28 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.
- 29 Our Direction of Travel statement, issued in March 2008, included a number of areas for improvement, whilst recognising the overall improvement process that the Council is undertaking. We have reflected on this in considering our inspection activity for 2008/09.
- 30 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
Relationship Manager (RM)/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 RM, 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.
Inspection of landlord services	Deteriorating performance indicators in housing management indicate that the Council may be failing to provide value for money in the use of its resources in this area. Our risk assessment has highlighted particular risks connected with asset management/stock investment and tenant involvement.

Advice and assistance

- 31** Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide 'advice and assistance' (A&A) to another public body where this is requested.
- 32** If you wish the Commission to provide additional services under these powers, please contact either Sue Jewkes or Dorothy Welsh, the regional lead for this work.

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
Susan Jewkes Relationship Manager/CAAL	s-jewkes@audit-commission.gov.uk 0844 7983018	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.
Andy Perrin District Auditor	a-perrin@audit-commission.gov.uk 0844 7985796	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and the Audit Committee.
Helen Devlin Audit Manager	h-devlin@audit-commission.gov.uk 0844 7983048	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Head of Finance.

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 Sue Jewkes in the first instance. Alternatively, you may wish to contact the sub regional Head of Operations, Susan Fenwick
- 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 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
Opinion Audit Plan	December 2008
Annual governance report	September 2009
Auditor's report giving an opinion on the financial statements	September 2009
Final accounts memorandum (to the Head of Finance)	November 2009
Use of resources report	December 2008
Inspection of Landlord Services report	January 2009
Annual Audit and Inspection Letter	TBC

Appendix 1 – Elements of our work

Financial statements

- 1** 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).
- 2** The appointed auditor is 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** The auditor is also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

- 4** The Code requires the 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 our conclusion.
- 5** 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.
- 6** We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment 2007/08

- 7 The Use of Resources themes and KLOEs are outlined below.
- 8 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">• preparation of financial statements• external reporting
Financial management	<ul style="list-style-type: none">• medium-term financial strategy• budget monitoring• asset management
Financial standing	<ul style="list-style-type: none">• managing spending within available resources
Internal control	<ul style="list-style-type: none">• risk management• system of internal control• probity and propriety
Value for money	<ul style="list-style-type: none">• achieving value for money• managing and improving value for money

- 9 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.
- 10 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 the CPA.

Data quality 2007/08

- 11 This plan covers the 2007/08 data quality work. 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 2007/08 performance indicators.
- 12 Work will be focused on the 2007/08 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.

- 13** 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

- 14** 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.

National Fraud Initiative

- 15** From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

Certification of grant claims and returns

- 16** 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.

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 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 The 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;
 - liaison 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;
 - good quality working papers and records will be provided to support the financial statements by 1 July 2009;
 - 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 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 12 equal instalments from April 2008 to March 2009.

Table 6 Detailed audit and inspection fee

Audit area	Planned fee 2008/09	Amended planned fee 2007/08	Page
Audit			
Financial statements	£121,028	£119,017	17
Use of Resources 2007/08	£18,977	£36,448	17
Data Quality 2007/08	£13,142	£12,492	18
National Fraud Initiative	Invoiced separately	£625	19
Whole of government accounts	£2,228	£2,134	19
Total audit fee	£155,375	£170,716	
Inspection			
Relationship management	£2,986	£2,950	13
Direction of Travel	£2,986	£2,950	13
Service inspection	£7,840	£6,330	13
Total inspection fee	£13,812	£12,230	
Certification of claims and returns	£54,000	£60,000	19

- 8 Our original planned audit fee for 2007/08 was £132,601. Following the completion of the 2006/07 audit we have reassessed the risks and will shortly issue a revised opinion audit plan for 2007/08 showing that an additional fee of £38,115 is required to address the additional risks identified.

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
<p>The auditor issued two statutory recommendations in 2008:</p> <ul style="list-style-type: none"> • closely monitor the implementation of the Action Plan put in place as a result of our 2006/07 Annual Governance Report; and • improve the arrangements for the production of the 2007/08 financial statements. <p>The audit opinion was disclaimed in 2006/07.</p>	<p>The Council's members have met to agree a formal response to these recommendations.</p>	<p>Yes</p>	<p>We will maintain close contact with the Council in respect of the actions it is taking to address these recommendations.</p>	<p>UoR KLOE 1.1 and 1.2 on financial reporting.</p>

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
Internal control is weak in certain areas and risk management developments are recent and unproven.	The Council has developed an Action Plan in response to our 2006/07 Annual Governance Report, and is embedding improvements around risk management.	Yes	<p>We will review the progress on implementation of areas of improvement as part of our 2008 Use of Resources work.</p> <p>We will consider the results of our 2007/08 audit tool 'Changing Organisational Culture' which benchmarks the Council against a national database to identify priorities for improvement.</p> <p>We will assess whether internal control arrangements have improved as part of our systems work.</p>	UoR KLOE 4.1 and 4.2 and VFM criteria – the Council has put in place arrangements to maintain a sound system of internal control.

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
Overall the Council received a 1 score for its 2007 use of resources which represents an inadequate level of performance.	The Council engaged an independent review of its use of resources to ensure that further improvements it needs to make to ensure that performance is improved are identified.	Yes	We will review the progress on implementation of areas of improvement as part of our 2009 Use of Resources work.	Most UoR KLOE and VFM criteria are impacted.
The Council is considering forming a trading company for consultancy work in connection with the CNC Building Control partnership.	Members have approved the principle of the development.	Yes	We will maintain a 'watching brief' in terms of development. This will be considered further as part of the development of the opinion audit plan.	UoR KLOE 1.1 and 2.1 on financial reporting. UoR KLOE 5.2 and VFM conclusion criterion - The Council manages and improves 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
The Council has failed to meet statutory recycling targets.	The Council is striving to improve recycling rates. The anticipated improvements in customer service, as well as the introduction of new schemes like alternate weekly collections and the garden waste collection service, should move the Council towards hitting the targets.	Yes	We will maintain a 'watching brief' in terms of developments and overall consideration will be given as part of the Direction of Travel assessment.	UoR KLOE 5.1 and 5.2 and VFM conclusion criterion: <ul style="list-style-type: none"> the Council monitors and reviews performance; and the Council manages and improves value for money.
All Norfolk local authorities are currently involved in the Boundary Committee review.		Yes	We will keep a 'watching brief' on unitary status developments.	UoR KLOE 5.2 and VFM conclusion criterion – The Council manages and improves 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
The Council has significant contracts with CitiCare which are due for renewal in 2010. We raised concerns about accounting for some of these contract costs in our 2006/07 Annual Governance Report.	The Council has already had a review of the contracts carried out by an independent advisor to consider the options open to it. The Council is also considering the 2006/07 accounts qualification issue.	In part	We will maintain a 'watching brief' regarding the new contract developments, The accounting treatment will be considered further as part of the development of the opinion audit plan.	UoR KLOE 1.1 on financial reporting. UoR KLOE 5.2 and VFM conclusion criterion - The Council manages and improves value for money.
There are risks around regeneration, particularly regarding deprivation and employment.	Economic growth is one of the Council's priority themes.	Yes	No current work proposed by us at this time due to the uncertainties surrounding local government reorganisation in Norfolk. We will revisit as part of the 2009/10 planning process.	

Appendix 4 – Independence and objectivity

- 1 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. As described in paragraph 8 below, the appointed auditor would ordinarily be changed at least every five years. The Audit Commission has granted Andy Perrin, your appointed auditor, a one year extension and as such 2008/09 will be his sixth year as your auditor. Both the auditor and the Audit Commission have satisfied themselves that appropriate safeguards have been put in place to ensure there is no potential breach of independence or relevant ethical standards.
- 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 their 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 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.
 - The District 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 and inspection team will maintain knowledge of your issues to inform audit and inspection through regular liaison with key officers.
- 2 Our proposal for meetings is as follows.

Table 7 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive Deputy Chief Executive Head of Finance	Relationship Manager (RM)/CAAL District Auditor (DA) Audit Manager (AM)	As required	General updates.
Head of Finance Chief Internal Auditor	AM and Team Leader (TL)	Quarterly	Update on audit progress and issues
Audit Committee	DA and/or 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; and
 - reducing travel.