

Audit and Inspection Plan

Brighton & Hove City Council

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Introduction

This plan sets out the audit and inspection work we propose to undertake in 2004/05. The plan has been drawn up from improvement planning meetings with key officers, and our risk based approach to audit planning.

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 audit and inspection and work which underpins the council's priority areas for improvement
- working across the public sector to ensure that the council benefits from our integrated approach
- reducing the amount of audit work undertaken (specifically on grant claims) where our assessment of risk merits this
- having regard to the circumstances surrounding the change in the council's CPA score as published in December 2003.

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 officers on the improvement planning process to ensure that the work of the Audit Commission is co-ordinated and targeted at the council's key areas for improvement.

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

- improvement
- assessment
- assurance.

The fee

The Audit Commission's fees letter covering the period April 2004 to March 2005, suggests a range of fees for authorities in different CPA categories. In the case of a 'good' local authority with the City Council's expenditure plans, a fee range of £248,000 to £460,000 (with a mid-point of £354,000) is suggested.

The fee proposed of £288,000 is 19% below the mid-point level. When compared to the fee agreed in 2003/04, the fee we are proposing represents:

- an increase of £7,000 for improvement work, mainly because of the work we are proposing to undertake on new initiatives such as the Children's Trust
- an increase of £18,000 in assessment work, to carry out and publish the outcome of two full inspections over the next 12 months

The position is summarised below.

Audit area	2004/05 Fee (£)	2003/04 Fee (£)
Improvement	61,000	54,000
Assessment ⁽¹⁾	62,000	44,000
Assurance		
- Accounts	95,000	98,000
- Governance ^{(2) (3) (4)}	50,000	57,000
- Use of resources	20,000	35,000
Total	288,000	288,000

Notes

- (1) fee net of 25% ODPM grant
- (2) 2003/04 fee included £10,000 to deal with legal questions and queries
- (3) 2004/05 Governance fee includes review of the council's strategies for dealing with the Education PFI and the future of COMART school
- (4) Audit work on the S31 Pooled Budget and the Joint Waste Management PFI will be reported under our Governance Code of Practice responsibility

In setting the fee we have assumed:

- you will inform us of significant developments and emerging risks
- Internal Audit meet 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 £100,000 for the grant claim certification work for 2004/05. This estimate is based on the previous year fee of £120,000 and known changes in claims. The exact fee for this work will depend on the number and complexity of claims.

Improvement

This section sets out the Audit Commission's proposed activity linked to the council's improvement priorities. We will liaise closely with other inspectorates and regulators throughout the year to ensure that the City council's work programmes are co-ordinated and proportionate.

We will agree success factors for both the City Council and the Audit Commission before undertaking our detailed work.

The council is continuing to increase the level of services it provides in partnership with other public sector bodies, particularly the NHS, and the private sector. Aspects of our work involving the Adult Social Care service and the S31 pooled budget will be included in the external audit plans of NHS bodies in the area, and will be undertaken in partnership with other external auditors working across the local health economy. Our work in this area will be reported via the Joint Commissioning Board.

Improvement priority	Action proposed
<p>Adult Social Care:</p> <p>Tackling 'bed blocking'</p> <p>Comment:</p> <p>The number of Older People in Care remains high. The council has introduced a range of initiatives to address this issue and will need to work effectively with NHS partners to secure improvement in performance.</p>	<p>Performance Audit</p> <p><i>Delayed Discharges</i></p> <p>Working jointly with NHS auditors, review arrangements for admitting patients to NHS care.</p>
<p>Corporate Review</p> <p>Scrutiny and review</p> <p>Comment:</p> <p>The council recognises that arrangements for Scrutiny will need to be updated in the light of some of the major initiatives and projects being delivered at this time.</p>	<p>Performance Audit</p> <p><i>Review of Scrutiny Arrangements</i></p> <p>Evaluate council-wide approach, detailed work in emergent areas such as NHS Scrutiny and Children's Trust.</p>

Improvement priority	Action proposed
<p>Children's Social Care and Family Support</p> <p>Children's Trust</p> <p>Comment:</p> <p>The council is responding to the Government's 'Children's Bill', reconfiguring services and establishing one of the first Children's Trusts in the country.</p> <p>The new arrangements will involve close working with partners, particularly the NHS.</p> <p>The council may benefit from an external evaluation as the new trust develops and new ways of working are established.</p>	<p>Performance Audit</p> <p><i>Children's Trust – 'Fit for Purpose review'</i></p> <p>Using Audit Commission diagnostic tool, evaluate progress, assess:</p> <ul style="list-style-type: none"> joint working arrangements structures, governance arrangements, performance measures and resources financial and management structures including information flows. <p>Review will consider outcomes from joint review of children's services (completed by SSI, now CSCI, and OfSTED) in preparing terms of reference.</p>

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.

Assessment

The Audit Commission's assessment work can involve:

- a full Inspection of a service, with the public reporting of our judgment on the performance of the service and prospects for improvement
- a regular performance assessment of a service. A regular performance assessment can confirm an existing Audit Commission Inspection judgement and determine the need and scope of any future inspection of the service area

- the qualitative assessment of continuous service improvement, which is published by the Audit Commission before the end of December each year.

Our assessment work at Unitary Authorities is undertaken mainly in the areas of Environment and Cultural services and the Housing Service. In 2004/05, we are proposing to undertake two full inspections in the areas of Housing Services and Cultural Services.

Our assessment work will also involve a qualitative assessment of continuous service improvement, as shown below.

Improvement priority	Action proposed
Full Inspection	
<p>Housing</p> <p>Quality of Housing Service</p> <p>Decent Homes Standard</p> <p>Long term supply – strategic approach</p>	<p>Audit Commission Inspection</p> <p><i>Housing Landlord Services Inspection</i></p> <p>Inspection of (Landlord aspects) of the Housing Service in lead up to public consultation on stock options. The Inspection will consider the work completed by external consultants in the year.</p>
<p>Cultural Services</p>	<p>Audit Commission Inspection</p> <p><i>Inspection of Cultural Services</i></p> <p>Full Inspection of strategy and performance in Cultural Services, this will encompass the council's Arts strategy, Museums, Libraries and the Royal Pavilion.</p>
Qualitative Assessment	
<p>Continuous Service Improvement</p>	<p>CPA Improvement Reporting</p> <p><i>Auditor Scored Judgments</i></p> <p><i>Qualitative Assessment of continuous improvement</i></p>

Expected outputs
Performance Audit
Review of Delayed Discharges
Review of Children's Trust
Review of Scrutiny Arrangements
Audit Commission Inspection
Housing Inspection: <ul style="list-style-type: none"> Public report and scored judgement
Inspection of Cultural Service: <ul style="list-style-type: none"> Public report and scored judgement
Corporate Performance Assessment Judgement: <ul style="list-style-type: none"> Auditor Scored Judgements Qualitative Assessment of continuous improvement

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 2004/05. These risks may be liable to change as the 2004/05 financial year progresses, and we will update our risk assessment and work programme during the year.

Risk	Action proposed
<p>FRS17 (Disclosure of Pension Liabilities)</p> <p>There is a risk that material errors or misstatements may occur in the 2004/05 accounts if the council does not fully adopt FRS 17 and disclose the 'fair value' of assets/liabilities arising.</p>	<p>We will consider the outcome of our audit of the 2003/04 statements and review our assessment of risk in planning the audit of the 2004/05 accounts.</p>

Improvement priority	Action proposed
<p>Local Housing Allowance (HB Pathfinder)</p> <p>The council will need to ensure that the risk of material misstatement in the annual accounts and housing benefit is mitigated following the introduction of the Local Housing Allowance initiative.</p>	<p>We will consider the outcome of our audit of the 2003/04 statements and review our assessment of risk in planning the audit of the 2004/05 accounts.</p> <p>We will liaise with officers on the council's approach to identifying and disclosing expenditure incurred.</p>

Expected outputs
SAS 610 report
Audit opinion
Final accounts memorandum

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 Policy and Resources 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 2004/05.

Risk	Audit work proposed
<p>Financial management</p> <p>The council is operating against a tight financial background and there remains a risk that expenditure and savings plans may not be achieved.</p>	<p>We will review the council's financial standing throughout the year, reporting outcomes to Members in the annual audit and inspection letter.</p>
<p>Freedom of Information Act</p> <p>The council recognises that having robust policies and procedures for the retention and destruction of information, and compliance with the Freedom of Information Act, is essential.</p>	<p>We will review and compare the council's arrangements to best practice.</p>
<p>Schools PFI</p> <p>The council is working with the private contractor to restructure the Schools PFI contract in the light of its decision to consult on the future of the COMART school.</p>	<p>We will discuss with officers the terms of reference for our work in this area in the light of the council's own internal reviews of the Schools PFI</p>

Expected outputs

Reports to management and comments in AAL

Use of resources

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.

We will also follow -up our work from previous years to ensure you have implemented agreed recommendations. In particular, we will report the council's progress in implementing the action plans prepared following our reviews of:

- Special education needs
- Sickness absence
- Local public service agreement
- Partnerships
- Budget management.

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 2004. We will also review and comment on your systems for collecting performance information and in particular BVPIs.

Expected outputs

Audit opinion and certificates

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
Darren Wells	Relationship Manager and District Auditor
Robert Grant	Audit Manager
Alex Orme	Performance Lead
Hannah Johnson	Team Leader
Brian Mitchell	IT specialist
Barbara Deacon	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.

Future Plans

We will continue to review and update our proposals for audit and inspection work in future years in full discussion with officers. Areas where we may be undertaking work in 2005/06 and beyond include:

Waste Collection Service

Full Inspection and public report.

Transport Inspection

Full Inspection and public report.

Further details of our respective Code responsibilities

The Audit Commission's publication '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 officers 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 members.

Our reports are:

- prepared for the sole use of the council;
- written without assuming any responsibility by ourselves to any other person, including members and officers, or to any third party.

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 members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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
Improvement			
Performance Audit			
Review of Delayed Discharges	TBA	TBA	Barbara Deacon
Review of Children's Trust	TBA	TBA	Barbara Deacon
Review of Scrutiny Arrangements	TBA	TBA	Barbara Deacon
Assessment			
Audit Commission Inspection	TBA	TBA	
Housing Landlord Services Inspection Public report and scored judgement	March 2005	July 2005	Paddy Mooney
Inspection of Cultural Service Public report and scored judgement	April 2005	June 2005	TBA
Corporate Performance Assessment Judgement Auditor Scored Judgements Qualitative Assessment of continuous improvement	September 2004	December 2004	Darren Wells
Assurance			
Accounts			
SAS 610 report	June 2005	September 2005	Robert Grant
Audit Opinion and Certificate	June 2005	September 2005	Robert Grant
Final Accounts Memo	June 2005	September 2005	Robert Grant
Governance			
Governance Report	March 2005	May 2005	Robert Grant
Use of Resources			
Best Value – audit opinion and certificates	June 2005	December 2005	Robert Grant
Other Outputs			
Audit Plan	March 2004	April 2004	Darren Wells
Annual Audit and Inspection Letter	October 2005	December 2005	Darren Wells

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 Policy and Resources Committee. The auditor reserves the right, however, to communicate directly with the Council 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; and
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Partner/Director or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.