

Audit and Inspection Plan

June 2008



Audit and Inspection Plan

Wiltshire County 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 non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

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Introduction

- 1 This plan sets out the audit and inspection work that the Audit Commission and the Council's appointed auditor 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 the Audit Commission's CAAL, I will be taking responsibility for the delivery of the planned inspection work. The audit work will be undertaken by the appointed auditor, KPMG LLP, and their team is led by Chris Wilson.
- 4 As KPMG have not yet completed their 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.
- 5 Our work will take place during a period of significant change at the Council. Following the Secretary of State's decision to approve the proposal for local government reorganisation, Wiltshire County Council has been working closely with the district councils to manage the transition to a single unitary council. The new Wiltshire Council will come into being on 1 April 2009 when the County Council takes on the district councils' functions. Whilst our audit and inspection work relates to the 2008/09 financial year – and therefore to the County Council in its current form – the transition to unitary status is a key challenge facing the Council during the period when our programme of work will take place. As such, we have recognised this as a key audit risk for us to consider, which we discuss further below. We will also liaise closely with the auditor of the district councils.

Responsibilities

- 6 The Audit Commission and KPMG will 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 (the Code).
- 7 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.
- 8 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.
- 9 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and audit work is undertaken in the context of these responsibilities.

Fees

- 10 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.
- 11 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is for £295,680, which compares to the planned fee of £241,362 for 2007/08.
- 12 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 and inspection fee

Audit area	Planned fee 2008/09 (£)	Planned fee 2007/08 (£)
Audit		
Wiltshire County Council	210,750	226,612
Wiltshire Pension Fund	70,000	-
Inspection fee	14,930	14,750
Total audit and inspection fee	295,680	241,362

- 13 The Audit Commission's audit scale fee (which excludes the pension fund audit fee, inspection fee and grant certification fee) for Wiltshire County Council is £202,300. The audit fee proposed for the Council of £210,750 for 2008/09 is four per cent above the scale fee (2007/08 = 12 per cent above) and is within the normal level of variation specified by the Commission.
- 14 The key driver behind the increased overall fee is the new requirement for the audit of local government pension funds to be treated as separate audit engagements, rather than being audited as part of the administering body. This reflects the fact that they are significant public interest entities in their own right.

- 15 The Audit Commission now requires auditors to issue a separate auditor's report on the pension fund accounts for delivery to those charged with the governance of the pension fund. This will require the pension fund audit to be planned, performed and documented separately to that of the County Council, thereby increasing the overall amount of work required significantly. For example, auditors will now need to:
- document, test and evaluate the discrete governance arrangements and 'entity level controls' in operation for the pension fund;
 - undertake additional controls evaluation and testing of financial systems for the pension fund; and
 - report the findings of their audit separately to an appropriate pensions committee.
- 16 There have been some off-setting reductions in the County Council's audit fee, but this change has increased the overall amount of work that is required and this is therefore reflected in the fee. The audit fee for the pension scheme is in line with the Audit Commission's scale fee.
- 17 We have set our fee based on a number of assumptions which are detailed in Appendix 2.
- 18 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.
- 19 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.

Process for agreeing any changes in audit fees

- 20 As set out in paragraph 4, it is possible that the initial risk assessment will change as the year progress. Where this is the case, we will discuss this in the first instance with the Chief Financial Officer. If required, supplements to the plan will be issued and discussed with you to record revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

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

Financial statements

- 22 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks may only become apparent after we have completed our 2007/08 audit.
- 23 At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements:
- Local Government Reorganisation will require a particular focus on area such as:
 - the opening balance sheet of the new unitary council, for example the completeness and accuracy of fixed asset valuations;
 - the accounting treatment for the costs of transition incurred during 2008/09; and
 - the enhanced inherent risk to the Council's control environment that can accompany significant change programmes where senior management time and attention is diverted away from the day to day business of the organisation.

Pension fund

- 24 KPMG will be carrying out an audit of the pension fund. A separate report will be issued to those charged with governance.
- 25 As we have yet to complete the 2007/08 pension fund audit – our first since being appointed as the Council's external auditors – we are not yet aware of any specific risks or issues which may impact on the 2008/09 audit. However, as highlighted above the move to a separate pensions audit engagement will require a significant increase in the level of testing required.
- 26 We will therefore continue to liaise with the Council's pensions department over our audit process, and will draw on pensions accredited auditors within KPMG to deliver the audit work.

VFM conclusion

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

Table 2 Key risks identified

Key risks identified	Planned work to address the risk
<p>Local Government Reorganisation</p> <p>The transition to <i>One Council for Wiltshire</i> (1C4W) presents a significant challenge to the County Council, working closely with the district councils. Governance and programme management arrangements have been established, including an implementation executive, an implementation team and four main workstreams. Each area must be managed carefully in order to minimise risk and deliver the required changes.</p>	<p>We will undertake a review of the way in which the Council is managing the transition to 1C4W. We will do this in two stages:</p> <ul style="list-style-type: none"> • an initial review in the autumn of 2008 to consider the overarching approach and progress achieved at that point; and • a second review prior to vesting date, to consider the preparedness for the new 1C4W. <p>The review will follow the workstream structure in place and consider critical areas such as leadership, transition planning, human resources, finance, governance and IM&T.</p>
<p>Business Management Programme</p> <p>The Council is implementing a new Business Management Programme (BMP), involving a new SAP system and related business processes. This is taking place alongside the move to 1C4W, and as such BMP is one of the four workstreams mentioned above. Major IT investments such as BMP present significant risks and require robust project management arrangements.</p>	<p>We will review the way in which the Council is managing the delivery of BMP. We will draw on KPMG's IT specialists, including SAP specialists, for this review.</p> <p>Whilst elements of this review will be undertaken discretely, given the IT focus, it will form part of the wider 1C4W audit project to reflect BMP's status as a workstream within that. We will therefore also consider BMP in two stages.</p>

- 29 On both 1C4W and BMP we will take account of any work undertaken by Internal Audit (eg IA will have an increased focus on the stewardship of assets). We will also liaise as appropriate with the external auditor of the district councils.
- 30 There is value in undertaking a third stage to the 1C4W/BMP project – post-implementation - which could come after vesting day for the new Council and the live implementation of the new system. However, this is not included in the scope of work for this year's audit programme because of timing issues. We will discuss the potential for any further work in the future when planning for our 2009/10 audit.

Use of resources 2007/08

- 31 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.
- 32 Appendix 1 outlines the criteria and scoring.

Mandated work

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

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

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 34 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.
- 35 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.
- 36 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Council was categorised as three stars.
- 37 We have applied the principles set out in the CPA framework, '*CPA – The Harder Test*', recognising the key strengths and areas for improvement in the Council's performance.
- 38 Strengths in the Council's performance include:
- successfully encouraging local people to get involved in decisions about their services. The Council has a track record of seeking people's views on service and policy matters;
 - an effective review of priorities in readiness for a new Council in 2009 with well integrated and aligned plans in place; and
 - good progress being made against a wide range of actions to support the aims and targets in its corporate plan.
- 39 Areas for improvement in the Council's performance include:
- joint plans with its health partners have been slow to develop but renewed commitment from the Council and its partners means that partnership working with the NHS is improving;;
 - some adult care services have been poorly performing in the past and the Council has implemented a range of initiatives to improve performance. As a result of such initiatives delayed transfers of care are reducing, although numbers remain comparatively high;

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
CAA Lead 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.

Advice and assistance

- 40 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. The Council has not requested that we undertake any additional services work for 2008/09.

The audit and inspection team

- 41 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
Melanie Watson CAA Lead	m-watson@audit-commission.co.uk 0844 798 8819 07747 762208	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.
Chris Wilson Appointed Auditor (KPMG)	christopher.wilson@kpmg.co.uk 0118 964 2269	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 Final Accounts and Audit Committee.
Darren Gilbert Senior Manager (KPMG)	darren.gilbert@kpmg.co.uk 029 2046 8205	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance, Assistant Director (Performance and Review) and other officers.
Tara Van-Sloots Manager (KPMG)	tara.van-sloots@kpmg.co.uk 0117 905 4358	Supports Darren in managing elements of the audit. Key contact for the pension fund audit.

Quality of service

- 42 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact your CAAL or Appointed Auditor in the first instance. Alternatively, you may wish to contact the South West Head of Operations, Bill Sanderson. For any complaints concerning audit work, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

- 43 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Planned outputs

- 44 Reports will be discussed and agreed with the appropriate officers before being issued to the Final Accounts and Audit committee.

Table 5 **Planned outputs**

Planned output	Indicative date	Responsibility
Audit and Inspection Plan	June 2008	CAA Lead and KPMG
Data quality report	November 2008	KPMG
Use of Resources report	December 2008	KPMG
Interim audit memorandum	June 2009	KPMG
Annual governance report (ISA260)	September 2009	KPMG
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009	KPMG
Direction of Travel	TBC	CAA Lead
Annual Audit Letter	TBC	KPMG

Appendix 1 – Elements of our work

Financial statements

- 1 KPMG will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 KPMG are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 3 KPMG are also required to review whether the Annual 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 your appointed auditor to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at [his/her] conclusion.
- 5 In meeting this responsibility, KPMG will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, we will normally place reliance on their reported results to inform our work.
- 6 We will also follow up our audit work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment 2007/08

- 7 This plan covers the 2007/08 Use of Resources work which KPMG will undertake during the 2008 calendar year. The Use of Resources themes and KLOE are outlined below.
- 8 The appointed auditor will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes.

Table 6

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 The details of the scores and judgements will be reported to the Council. The scores will be accompanied, where appropriate, by recommendations on 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 which KPMG will undertake during the 2008 calendar year. 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 The 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 KPMG are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 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 KPMG will continue to certify the Council's claims and returns on the following basis:
 - claims below £100,000 will not be subject to certification;
 - claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; 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 audit responsibilities and reflecting this in the audit fees. It also means making sure that work is coordinated with the work of other regulators and that 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:
 - cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - the Council's strategic risk register;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - you will inform us of significant developments impacting on our audit;
 - internal audit meets the appropriate professional standards;
 - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit, and such work is available for us to review at the start of the agreed timing of our audit visits;
 - you will identify and implement any changes required under the CIPFA SORP within your 2008/09 financial statements;
 - your financial statements will be made available for audit in line with the timetable we agree with you;
 - good quality working papers and records will be provided to support the financial statements by the start of our final accounts audit;
 - 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, the auditor will be required to undertake additional work which is likely to result in an increased audit fee.

- 5 Changes to the plan will be agreed with you. These may be required if:
- new residual audit risks emerge;
 - additional work is required by the Audit Commission, KPMG or other regulators; or
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 6 Below is a breakdown of the audit and inspection fee for 2008/09. The fee (plus VAT) will be charged in four equal instalments from July 2008 to March 2009.

Table 7 Detailed audit and inspection fee

Audit area	Planned fee 2008/09 (£)	Planned fee 2007/08 (£)
Audit		
Financial statements	138,495	159,472
Use of resources	69,495	63,207
Whole of government accounts	2,760	2,733
National Fraud Initiative	-	1,200
Audit of Wiltshire County Council	210,750	226,612
Audit of Wiltshire Pension Fund	70,000	-
Inspection		
Relationship management	7,465	7,375
Direction of Travel	7,465	7,375
Service inspection	-	-
Corporate inspection	-	-
Total inspection fee	14,930	14,750
Total audit and inspection fee	295,680	241,362

NB: The split of the audit fee between Code of Audit Practice areas differs from the previous year as we now have a better understanding of the costs involved in delivering each area of work in our second year as the Council's auditors.

- 7 We will provide an estimated fee for the certification of grant claims and returns for 2008/09 after we have completed our first round of certification work later this year

Appendix 3 – Independence and objectivity

- 1 KPMG complies with the ethical standards issued by the APB and with the Commission’s requirements in respect of independence and objectivity as summarised below.
- 2 The table below summarises one issue which we would like to bring to the Council's attention.

Table 8 Independence and objectivity disclosures

Issue	Safeguards established
<p>Prior to KPMG's appointment as the Council's auditors, the firm's tax practice had been engaged by the Council to advise on the potential for the county pension fund to reclaim tax suffered on foreign dividends. The claim relates to a group litigation order which KPMG is representing, with the Council being one of many participating organisations. KPMG's tax advisory work was completed some time ago, but the final decision is dependent on a court order.</p>	<p>There is complete separation internally within KPMG between the tax advisory team and the audit team for the Council.</p> <p>This is only considered to be a 'live' issue because of the outstanding court order, for which KPMG has no influence on the timing or eventual outcome. There is no on-going tax advisory work.</p>

- 3 We are satisfied that these issues do not prejudice our independence and objectivity, and that the established safeguards will ensure that this is the case. We are not aware of any other relationships that may affect the independence and objectivity of the Appointed Auditor and the audit staff, which auditing and ethical standards require us to communicate to you.
- 4 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 the 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).
- 5 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

- 6 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.
- 7 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 Final Accounts and Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 8 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.
- 9 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
 - Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor’s opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being ‘additional work’ and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The appointed auditor is responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.

- The appointed auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 4 – Working together

Meetings

- 1 The audit and inspection team will maintain knowledge of your issues to inform audit and inspection work through regular liaison with key officers. We will also attend meetings of the Final Accounts and Audit Committee throughout the year.

Sustainability

- 2 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce the 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.