

Audit Plan

East Sussex Fire Authority

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Reference:	RGSU010PM03W
Author:	Robert Grant
Date:	April 2003

Introduction

Our principal objective as your appointed auditor is to carry out an audit which meets the Audit Commission's Code of Audit Practice.

As explained in the Commission's fees letter, we are changing our audit year to match your April to March financial year, so that you know your fee before setting the budget. To implement this change, this audit plan covers two audit years up to 31 March 2004.

A transitional arrangement applies to the audit of the Fire Authority for the 2002/03 year, with the key elements of our audit approach for the year being as follows:

- we will not be undertaking any detailed work on Best Value or the annual Performance Plan (our next audit of Best Value will form part of the 2003/04 combined Audit and Inspection Plan although we will continue to liaise with officers on emerging issues)
- we will be giving our opinion on the 2002/03 accounts in line with the timetable agreed with officers and in accordance with our joint working protocols
- we will undertake risk-based work to meet our other Code of Audit Practice (the Code) objectives. In 2002/03 (where possible), we will rely on assurance gained during the 2001/02 audit year and work which remains in progress in the lead up to 31 March 2003.

The impact of these changes is reflected in the fees for the statutory audit.

Our responsibilities

To ensure our audit is relevant to East Sussex Fire Authority, we must design a programme of work to address the significant operational and financial risks you face which impact on our responsibilities.

In addition, we have to review whether you have adequate arrangements for:

- ensuring the legality of transactions with a significant financial consequence
- ensuring your financial standing is soundly based

- satisfying yourselves that your systems of internal financial control are both adequate and effective
- ensuring proper standards of financial conduct and to prevent and detect fraud and corruption
- securing economy, efficiency and effectiveness in the use of your resources.

We must also give an opinion as to whether your Accounts present fairly the financial position of the Fire Authority.

The fee

Your fee has been determined on the basis of:

- the audit risks we have identified, using both national risks identified by the Audit Commission and our local risk assessment
- the work we have agreed with you, that we should undertake to address the audit risks, is set out on pages three to five.

Changes to the Plan may be required if any significant new risks emerge. No changes will be made without first discussing and agreeing them with you.

The combined fee for the audit of the Fire Authority in 2002/03 and 2003/04 (£62,000) represents a variance of minus 22% (the maximum minus variance being 30%) compared to the mid-point for a Fire Authority with East Sussex's expenditure plans. The variance is in line with previous years. An analysis of our fees compared to 2001/02 levels (excluding VAT) is provided in the table below.

	2001/02 £	2002/03 £	2003/04 £
Accounts	12,500	14,000	15,000
Governance	3,500	6,000	4,000
Performance	13,000	6,000	17,000
Total Fee	29,000	26,000	36,000

Accounts

We are required to give an opinion on your Annual Accounts. We will do this by reviewing your core processes, namely:

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

We will then undertake detailed testing of the figures in the Statement of Accounts. We will undertake the following additional work to address the risks we have identified for 2002/03.

Risk	Action proposed
Accounts	
The Fire Authority will need to respond appropriately to the revised Audit and Accounting Regulations relevant in 2002/03 as well as the 2002 SORP.	We will work with officers to review the Authority's arrangements in advance of commencing our audit of the annual accounts.

We will update our risk assessment for 2003/04 and discuss the results with you. However, at this stage the key risks identified for 2003/04 are as follows.

Risk	Action proposed
Accounts	
The earlier production of accounts required by the new Accounts and Audit Regulations require further streamlining of the accounts production processes.	Recognising that the Fire Authority performs well in this area, we will continue to work with officers to improve performance further.
Emerging professional guidance will need to be dealt with.	We will work with officers throughout the accounts closedown process to raise awareness of issues.

It should be noted that our accounts audit 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. We seek, in planning and conducting our audit of the Accounts, to identify material errors in your financial statements. Material errors are those which might be misleading to a reader of the financial statements.

Our initial calculation of an overall materiality is £600,000, however we may determine that certain items of account should be subject to a lower materiality due to their political or numerical sensitivity. We will update this calculation of overall materiality when we receive your draft accounts.

An unqualified opinion cannot be given on financial statements which contain material mis-statements. During the course of our work we may ask officers to amend the accounts to correct certain mis-statements, unless they are clearly trifling.

If officers decide not to adjust the accounts, we will report the position to the Authority, so there is an opportunity for them to be amended before we issue an opinion. In previous years, we have found no material errors and officers have agreed to adjust the accounts in the light of our detailed work as necessary.

If the Authority concludes that adjustments are not necessary we will require a written representation explaining the reasons for not adjusting.

We will also report in the Final Accounts Memorandum any mis-statements that have been adjusted where we feel that bringing them to the attention of the Authority will assist them in fulfilling their duties particularly in relation to internal financial control.

Before we give our opinion on the 2002/03 and the 2003/04 accounts, we will communicate any findings that have arisen from our audit work to date, which are relevant to the financial statements.

Performance

We will review whether you have adequate arrangements to secure economy, efficiency and effectiveness in the use of your resources. In addition to this, in 2003/04 we will review:

- your Best Value Performance Plan for compliance with statutory requirements
- your systems for collecting, recording and publishing specified performance information.

We will also undertake the following additional work to address risks which we have identified in 2002/03 and 2003/04.

Risk	Action proposed
2002/03	
Performance Management	
The station plans which underpin the Authority's Performance Management Systems should be used effectively, reflecting local area priorities.	Using a risk based approach, we will evaluate the arrangements established at Fire Stations for using Station Plans to drive forward performance improvement.
IT Management Arrangements	
The Fire Authority's IT strategy and approach to e-government will need to continue to develop.	We will review the Authority's progress and carry out a risk assessment in 2003/04.
2003/04	
Income Generation	
There is a risk that the Authority may not be fully recovering the costs of providing certain training services in East Sussex.	We will review the approach to recovering costs, recognising that the configuration of this service is likely to change.

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

Governance

We are required to determine whether you have adequate arrangements (as defined in 'Our Responsibilities' above) for:

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

We will also address the following risks we have identified:

Risk	Action proposed
Governance	
Local Codes of Conduct and Corporate Governance arrangements should continue to be updated in the light of emerging guidance.	We will review the Authority's arrangements in the light of good practice.
Internal Financial Control Statement	
The SORP for 2002/03 requires authorities to include a Statement of Internal Financial Control (IFC) in their statement of accounts.	We will undertake a review of your arrangements to comply with the SORP.

We will update our risk assessment for 2003/04 and discuss the results with you.

We are also required to complete annual returns on Stewardship and Governance for the Audit Commission.

Work outside the Code

We have not currently agreed to undertake any other work which is outside the audit required by the Code, but we can do additional Client Studies work if required.

The exact fees and timing of this work would be separately determined once the work has been agreed in principle and fully scoped by our specialist. Quotations for any such work must be considered in accordance with your Financial Regulations.

We look forward to possibly working with you on such work in 2002/03 and 2003/04.

Staff involved in this work, or any other additional audit work, will depend upon the skills required.

The audit team

Darren Wells	District Auditor
Bobby Grant	Audit Manager
Andrew Fisher	Performance Specialist
Richard Webb	Team Leader
Brian Mitchell	IT Specialist

We confirm that our team is all independent of the Authority and your officers.

There are also no potential conflicts of interest which we need to bring to your attention. In relation to the audit of your financial statements we will comply with the Audit Commission's requirements in respect of independence and objectivity as set out in Appendix 2.

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.

Status of our reports to the Authority

We will provide reports, or other output as agreed, to the Authority for each of the areas identified above. Our key milestones are set out in Appendix 1 which will be updated regularly and submitted to the Head of Finance.

In simple terms the status of our reports will be:

- Annual Audit Letter must be made available to the public
- Audit reports are generally prepared for the Authority although the Authority may decide to make them available to the public.

To comply with **SAS 610 Communication of audit matters to those charged with governance**, we would remind you that our audit reports are:

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

The following section on planned outputs shows how we will address this requirement.

Planned outputs

Planned audit output	Start date	Draft due date	Addressed to	Key contacts
Audit Plan	January 2003	April 2003	Chief Fire Officer and Chief Executive A and PR Panel *	Bobby Grant
Regularity and Governance reports	March 2003 March 2004	May 2003 May 2004	A and PR Panel	Richard Webb
Final accounts memorandum	August 2003 August 2004	October 2003 September 2004	A and PR Panel	Richard Webb
Performance Management	June 2003	October 2003	A and PR Panel	Andrew Fisher
Income Generation	August 2003	January 2004	A and PR Panel	Andrew Fisher
Review of IT Arrangments	June 2003	November 2003	A and PR Panel	Brian Mitchell
Best Value	August 2003	November 2003	A and PR Panel	Andrew Fisher
Annual Audit Letter	- -	November 2003 October 2004	A and PR Panel Fire Authority	Darren Wells/Bobby Grant

* Audit and Performance Review Panel

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 the case of East Sussex Fire Authority it has been agreed that the appropriate addressee of communications from the auditor to those charged with governance is the Audit and Best Value Panel. The auditor reserves the right, however, to communicate directly with the Fire Authority 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.