

# Audit and Inspection Plan

## East Sussex Fire Authority

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<b>Reference:</b>	sev01ESFRA (DRAFT) Audit and Inspection Plan
<b>Author:</b>	Robert Grant
<b>Date:</b>	April 2004

## Introduction

This plan sets out the audit and inspection work we propose to undertake in 2004/05. It has been prepared using our risk based approach. We have not included any improvement or assessment work in the 2004/05 plan because of the development of a Comprehensive Performance Assessment framework for the Fire and Rescue Service and the Fire Verification work which is in progress at this time.

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 work only where our assessment of risk suggests that review is necessary
- having regard to the national development of CPA for the Fire and Rescue Service
- ensuring that the outcome of our work on the Fire Verification audit informs our risk assessment.

## 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.

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 Fire Authority with the East Sussex's expenditure plans, a fee range of £35,000 to £63,000 (with a mid-point of £49,000) is suggested.

The fee proposed of £35,000 is 30% below the mid-point level.

The position is summarised below.

Audit area	2004/05 Fee (£)	2003/04 Fee (£)
Improvement	0	9,000
Assessment	0	0
Assurance		
- Accounts	18,000	15,000
- Governance	8,000	4,000
- Use of resources	9,000	8,000
<b>Total (provisional)</b>	<b>35,000</b>	<b>36,000</b>

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 (for instance CPA work)
- changes are agreed with HMFSI.

## Improvement

We are not proposing to carry out any improvement work in 2004/05, mainly because of our ongoing work on the Fire verification Audit and the development of CPA for the Fire and Rescue Service.

### Voluntary improvement work

Where the Authority requests additional work to help with its 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 Authority.

## Assessment

Comprehensive Performance Assessment (CPA) is an important element of the Audit Commission's strategic approach to regulation. We use strategic regulation to maximise our impact on improving public services for the benefit of those who use them, to assess whether services are managed effectively and give value for money for taxpayers, and to challenge the bureaucracy that can surround public services.

The Audit Commission has been invited by the government to create and implement a new form of CPA for the Fire and Rescue Service in England (with similar arrangements in the rest of the UK). This is currently being developed and is expected to be introduced in 2005.

The second stage of the Fire Verification audit will take place in June 2004. As with the first stage of that audit, it does not form part of the Code of Audit Practice Audit.

## 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. 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 Fire Authority so that there is an opportunity for them to be amended prior to the approval and certification of the financial statements.

#### Expected outputs

SAS 610 report
Audit opinion
Final accounts memorandum

## 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><b>Financial management</b></p> <p>The Authority 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 Authority's financial standing throughout the year, reporting outcomes to Members in the annual audit and inspection letter.</p>
<p><b>Freedom of Information Act</b></p> <p>The Authority 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 comment on the Authority's response to this key legislation (for retaining information and ensuring consistency in the type of information held).</p>
<p><b>Data Protection Act</b></p> <p>The Authority recognises that arrangements for retaining data and providing access to data for service users and other bodies need to be kept under review.</p>	<p>We will review and comment on the Authority's arrangements to comply with the DPA.</p>

#### Expected outputs

Reports to management and comment 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

### Best value

We will undertake a review of your best value performance plan (BVPP) to ensure it meets the statutory requirement in respect of its content. We will issue an opinion on this plan

before the end of December 2003. We will also review and comment on your systems for collecting performance information and in particular BVPIs.

**Expected outputs**

Audit opinion and certificates

## The team

Name	Title
Darren Wells	Relationship Manager and District Auditor
Robert Grant	Audit Manager
Jeremy Jacobs	Team Leader
Brian Mitchell	IT specialist
Andrew Weaver	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.

## 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 Fire Authority;
- 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
<b>Assurance</b>			
<b>Accounts</b>			
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	Jeremy Jacobs
<b>Governance</b>			
Governance report	TBA	TBA	Jeremy Jacobs
<b>Use of resources</b>			
Best value – audit opinion and certificates	June 2005	December 2005	Robert Grant
<b>Other outputs</b>			
Audit plan	March 2004	April 2004	Robert Grant
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 the Fire Authority. 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.