

Audit and Inspection Plan

East Sussex County Council

INSIDE THIS REPORT

PAGE 2

- . • Introduction
- . • Our responsibilities
- . • The fee
- . • Improvement
- . • Assessment
- . • Assurance
- . • The team
- . • Planned outputs

PAGE 9

Appendix 1

- The Audit Commission's requirements in respect of Independence and Objectivity

Reference:	sev02su00904 FINAL AI plan
Author:	Robert Grant
Date:	June 2004

2004/2005

Introduction

This plan sets out the audit and inspection work we propose to undertake in 2004/05. It has been drawn up from improvement planning meetings with senior 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 supports 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 improvement 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 and other inspectors 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 County Council's expenditure plans, a fee range of £145,000 to £268,000 (with a midpoint of £207,000) is suggested.

The fee proposed of £174,000 is 16% below the mid-point level. When compared to the fee agreed in 2003/04, the fee we are proposing represents a reduction of £29,000 in assessment work, mainly because we will not be undertaking any detailed service inspections in 2004/05 (although detailed inspection work will be undertaken in 2005/06).

The position is summarised below.

Audit area	2004/05 Fee (£)	2003/04 Fee (£)
Improvement	54,000	50,000
Assessment (1)	11,000	40,000
Assurance		
- Accounts	55,000	56,000
- Governance	39,000	25,000
- Use of resources	15,000	20,000
Total	174,000	191,000

Note (1) Fee net of 50% ODPM grant

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 £60,000 for the grant claim certification work for 2004/05. This estimate is based on the previous year fee of £80,000 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 East Sussex County Council's work programmes are coordinated and proportionate.

We will agree success criteria with officers for both the County Council and the Audit Commission before undertaking our detailed work.

We recognise that the council is increasing the level of services it provides in partnership with other public sector bodies, particularly the NHS, and also the private sector. Aspects of our work involving the Adult Social Care Service will therefore be included in the external audit plans of NHS bodies in East Sussex and will be undertaken in partnership with other external auditors working across the local health economy. We will also be liaising with the council's local manager from the Commission for Social Care Improvement (CSCI) in this area and are planning to seek agreement and develop the scope of the cross-sector work via the (joint) Health and Social Care Forum.

Improvement priority	Action proposed
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<p>Adult Social Care: Tackling 'bed blocking' Comment: The number of older people in care whilst decreasing year on year, does remain high. The council has introduced a number of initiatives in partnership with the NHS to address this issue and to increase the level of care provided in the home and the opportunities for Older People to live at home. The success of these initiatives will need to involve effective working arrangements across the local health economy. We recognise that work has been undertaken by the council to contribute to the establishment of closer working arrangements with the NHS and other partners in East Sussex. Our work may identify potential barriers as well as success levers to assist in improving performance across the local health economy.</p>	<p>Performance Audit – across the East Sussex health economy We will assess the strength of the relationship between the County Council and the NHS in East Sussex for improving performance in two 'probe' areas where performance is closely related: (1) <i>Delayed Discharges</i> Areas for review: • underlying reasons and evidence for deterioration in performance • action plans prepared by officers. (2) <i>Intermediate Care</i> Our work will be scoped in close consultation with NHS bodies and CSC1. Our detailed terms of reference will draw on the work already undertaken in the NHS by Change Agent Teams and may involve reviewing current levels of service provision and future plans for Care in East Sussex.</p>
<p>Adult Social Care Comment: The council recognises the importance of maintaining effective and efficient systems for preparing and publishing performance information and should benefit from a more detailed review of indicators which support its priority areas.</p>	<p>Performance Audit <i>Data Quality</i> We will review the council's arrangements for data collection, case management and monitoring for services to Older People (specifically PAF indicator C32).</p>

<p>Partnership</p> <p>Ensure the County Council is an integrated, enabling, authority both internally and with other agencies and partners to ensure customer focused services are delivered in a seamless way.</p> <p>Comment:</p>	<p>Performance Audit</p> <p><i>Evaluation of Partnership Outcomes</i></p> <p>Using the Community Strategy as a starting point, evaluate arrangements for embedding the (Community Strategy) strategic priorities in the</p>
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Expected outputs
<p>Joint reports to NHS bodies and the C</p> <ul style="list-style-type: none"> • Review of Delayed Discharges • Review of Intermediate Care <p>Report to Management</p> <ul style="list-style-type: none"> • Data Quality (C32 PAF work).
<p>Evaluation of Partnership Outcomes</p> <p>Review of Children's and Young People work with officers)</p>

Improvement priority	Action proposed
<p>Partnership Ensure the County Council is an integrated, enabling, authority both internally and with other agencies and partners to ensure customer focused services are delivered in a seamless way.</p> <p>Comment: Many of the council's priority areas for improvement are being delivered in partnership with other bodies. The success of these partnerships will affect service performance and achievement of the council's targets.</p>	<p>Performance Audit</p> <p><i>Evaluation of Partnership Outcomes</i></p> <p>Using the Community Strategy as a starting point, evaluate arrangements for embedding the (Community Strategy) strategic priorities in the business plans of the council and its key partners (specifically Borough and District Councils, the Fire and Rescue Service and the Police Service). Detailed terms of reference will be drawn up in full discussion with officers to highlight partnerships for review.</p>

<p>Children's Social Care and Family Support Proactive Strategies for prevention, integrated corporate response to SSI audit Comment: The council is responding to the Government's 'Children's Bill', reconfiguring aspects of the service and establishing a 'Children and Young People' Partnership Board. The new arrangements involve close working with partners, including the NHS. The council should benefit from an evaluation of progress made to date and an assessment of its preparedness for future service demands.</p>	<p>Performance Audit <i>Children and Young People- 'Fit for Purpose review'</i> We will work with officers to complete a 'self-assessment' diagnostic tool developed by the Audit Commission. Whilst officers will undertake the detailed work we will provide support throughout and comment on the outcome in our Annual Audit Letter in the following areas: • joint working arrangements • structures, governance arrangements, performance measures and resources • financial and management structures including information flows. We will liaise closely with the working group established by the council to take forward this initiative.</p>
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Joint reports to NHS bodies and the County Council:

- Review of Delayed Discharges
 - Review of Intermediate Care
- Report to Management
- Data Quality (C32 PAF work).

Evaluation of Partnership Outcomes

Review of Children's and Young People Services (joint work with officers)

Voluntary improvement work

Where the council 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 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, where we confirm an existing Audit Commission Inspection judgement and with the outcome being considered as part of our annual Comprehensive Performance Assessment
- 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 County Councils is undertaken mainly in the area of Environment and Cultural services. We have not identified the need for inspection activity within Environment services in 2004/05 and the results of our inspection of the council's Libraries service was published in 2002. We are not proposing that any inspection work is undertaken in 2004/05 but will review the libraries service in 2005/06.

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

Audit and Inspection - Audit 2004/2005		East Sussex County Council
2004/2005		AUDIT & INSPECTION
Improvement priority	Action proposed	Expected outputs
Continuous Service Improvement	CPA Improvement Reporting	SAS 610 report
	Auditor Scored Judgements	Audit opinion
		Final Accounts Memorandum
Improvement priority	Action proposed	Expected outputs
Continuous Service Improvement	CPA Improvement Reporting	SAS 610 report
	Auditor Scored Judgments	Audit opinion
	Qualitative Assessment of continuous improvement	Final Accounts Memorandum
		Governance

Corporate Performance Assessment Judgement

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. In this context we add 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 Governance 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
Financial management The council is operating against a tight financial background and there remains a risk that expenditure and savings plans may not be achieved.	We will review the council's financial standing throughout the year, reporting outcomes to members in the annual audit and inspection letter.

<p>Core Back Office Systems Support (CBOSS) project The council is due to replace all financial and many management information systems over the next 12 months. The project involves a number of risks which are being managed in a pro-active way.</p>	<p>We will liaise with the project management team and Internal Auditors to track the progress of this major project, providing comments to officers on the council's approach.</p>
<p>Data Protection Act The council 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 council's arrangements for retaining information and ensuring consistency in the type of information held.</p>

Reports to management and comment in AAL

Reports to management and comment in AA

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 completed last year of:

- Special education needs
- Local public service agreement
- Managing Improvement through Partnership.

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 certification audit regime to reduce the amount of work overall, and better link the assessments of risk. The benefits of the new approach will begin to be achieved from the start of certification work later in 2004, and will be fully achieved in 2005. The main changes are:

- claims for £50,000 or below will no longer be subject to certification;
- claims between £50,001 and £100,000 will be subject to a reduced, simplified certification audit;
- claims over £100,000 will have a new approach relevant to the audit of the control environment preparation of the control environment would lead to a new audit approach for these claims

The team

Name	Title
Darren Wells	Relationships and Districts
Robert Grant	Audit Manager
Jeremy Jacobs	Team Leader
Brian Mitchell	IT Specialist
Barbara Deacon	Performance

We are not aware of any relationships that might affect the independence and objectivity of the audit team, and which are required to be maintained under auditing standards.

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 1.

Use of resources

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Audit opinion and certificates

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:

Libraries

The council is working with the Museums, Libraries and Archives Commission to complete a peer review of the service in 2004. We will consider the outcome of this work in undertaking a full inspection of the service in 2005/06.

Transport Inspection

We will undertake a Regular Performance Assessment of the service in 2005.

Waste Disposal Service

We will discuss with officers the work that inspectors should undertake in 2005/06 to confirm the performance and the future prospects for improvement for the waste disposal service. Work undertaken in this area will be informed by inspection work at the Waste Collection Authorities across East Sussex.

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.

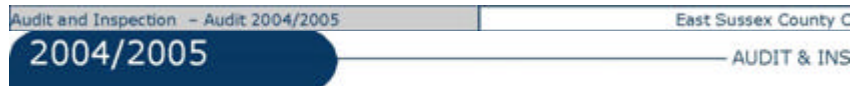
Our reports are:

- 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 bodies 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			
Adult Social Care Review of Delayed Discharges Intermediate Care review Data Quality review (C32 PAF work)	TBA	TBA	Barbara Deacon

Evaluation of Partnership Outcomes	TBA	TBA	Barbara Deacc
Review of Children's and Young People Services	TBA	TBA	Barbara Deacc Work with offi
Assessment			
CPA Improvement Reporting Auditor Scored Judgments Qualitative Assessment of continuous improvement	September 2005	December 2005	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	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 Governance

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.

