

Audit and Inspection Plan

May 2007



Audit and Inspection Plan

Wirral Metropolitan Borough Council

Audit 2007/2008

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 we propose to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2007/08;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 Your Relationship Manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.
- 3 As we have not yet completed our audit for 2006/07, the audit planning process for 2007/08, 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.

Responsibilities

- 4 We comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit); and
 - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the statement on internal control (SIC)); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of responsibilities of auditors and of audited bodies 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.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

CPA and Inspection

- 8 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.
- 9 The Council's CPA category is therefore a key driver in the Commission's inspection planning process. For CPA 2006, the Council was categorised as 2 stars.
- 10 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.
- 11 Strengths in the Council's performance include:
- The Council is improving well and it continues to improve its services. Educational attainment is improving at all levels with more young people in education, employment or training following school. Those needing social care assessments are seen quicker and home care services have improved with more older people able to live at home. Street cleanliness and recycling levels are improving and the Council is making good progress on community safety, as crime levels and fear of crime are falling.
 - The Council's approach to value for money is improving; it has identified areas of high costs and is taking actions to address them.
- 12 Areas for improvement in the Council's performance include:
- The Council continues to face significant budget challenges. If it is to succeed in delivering its ambitious efficiency plans, it will need to critically challenge the level and nature of its services. It will also need to ensure it has robust arrangements in place to monitor progress and deliver its challenging budget and efficiency plan targets.
 - The Council will need to ensure the effective implementation of plans to review and challenge costs and performance to demonstrate and improve the value for money of council services.
 - The Council recognises the need to build on recent progress and strengthen arrangements for the review of governance in significant partnerships, together with a review of their risk management and financial performance arrangements.
 - Further work will be needed to ensure the Medium Term Financial Plan is clearly driven by the Council's revised corporate plan and underpinned by a detailed financial plan that provides clear links to other internal strategies and details how funding gaps will be met. Linked to this the Council needs to develop its policy for reserves and balances to ensure it is based on a thorough understanding of its needs and risks and reserves and balances are maintained within the range agreed in the policy.

- 13 On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08 as follows.

Table 1 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager (RM) 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 label will be reported in the CPA scorecard alongside the CPA category. The DoT assessment summary will be published on the Commission’s website.
Access to Services Inspection	The Council has invested significantly in improving access to services in recent years and has plans to extend this investment in 2007/08. The Council is also putting plans in place to improve its approach to equalities and diversity. The inspection will assess progress in these areas from a user perspective and the plans that are being developed and implemented to secure future improvements.

Work under the Code of Audit Practice

Financial statements

- 14 We 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).
- 15 We 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 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.
- 16 We are also required to review whether the SIC has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the SIC is misleading or inconsistent with our knowledge of the Council.

Use of resources

Value for money conclusion

- 17 The Code requires us 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 auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 18 In meeting this responsibility, we 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.
- 19 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 20 The Audit Commission has specified that auditors will complete a use of resources assessment for 2007/08. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 21 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor's value for money conclusion.

22 We will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes:

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.

23 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services.

24 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 CPA.

Data quality

25 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:

- Stage 1 - management arrangements;
- Stage 2 - completeness check; and
- Stage 3 - risk-based data quality spot checks of a sample of performance indicators.

26 The work at stage 1 will link to our review of the Council's arrangements to secure data quality as required for our value for money conclusion and, together with the results of stage 2, will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission's CPA assessment.

- 27 Our fee estimate reflects an assessment of risk in relation to the Council's 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.

Best Value Performance Plan

- 28 We are required to carry out an audit of your best value performance plan (BVPP) and report on whether it has been prepared and published in accordance with legislation and statutory guidance.

Assessing risks

- 29 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 our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is co-ordinated with the work of other regulators, and that our work helps you to improve.
- 30 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.
- 31 We have not included a risk assessment for our audit of the financial statements as many of the specific risks may not become apparent until after we have completed our 2006/07 audit. We will issue a separate opinion audit plan for our audit of the financial statements in November 2007. At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements:
- The introduction of the Revaluation Reserve, which brings some complex accounting issues and will test the capacity of the existing asset register to provide adequate information on each asset held by the Council.
 - Financial instruments, full implementation of accounting standards which bring clarification to the requirements for debt restructuring and LOBO arrangements.
 - Draft capital finance regulations, covering the treatment of premia and discounts, MRP, investment in property, pooling of HRA capital receipts and temporary arrangements for accounting for equal pay.
 - FRS17, bringing greater transparency, which needs additional information to be provided to actuaries.
- 32 For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly. Our work will also include responding to issues raised by third parties, where we consider these are relevant to our responsibilities in respect of the Use of Resources assessment and VFM conclusion.
- 33 Our initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through our continuous planning process as the year progresses.

Work specified by the Audit Commission

Whole of government accounts (WGA)

- 34 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk.

National Fraud Initiative

- 35 The Council participates in the National Fraud Initiative which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

Other Work

Voluntary improvement work

- 36 Under section 35 of the Audit Commission Act 1998, the Commission may undertake voluntary improvement work (VIW) at the request of the audited body. We are currently finalising a 2006/07 VIW project that has involved assisting the Council to archive and subsequently access several years of general ledger (GL) transactions prior to the Council's disposal of its ICL mainframe in March 2007 which hosted the previous GL system. We have no plans at present to do any further voluntary improvement work at Council during 2007/08.

Certification of grant claims and returns

- 37 We 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.

The audit and inspection fee

- 38 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 39 The total indicative fee for audit and inspection work included in this audit and inspection plan for 2007/08 is £426,000 which compares with the planned fee of £417,100 for 2006/07.
- 40 Further details are provided in Appendix 2 which includes a breakdown of the fee; specific audit risk factors; the assumptions made when determining the audit fee, for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers; specific actions Wirral MBC could take to reduce its audit and inspection fees; and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.
- 41 In addition we estimate that we will charge approximately £145,000 for the certification of claims and returns.
- 42 As indicated in paragraphs 2 and 33, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 39 above. Any changes to the fee will be agreed with you.

Other information

The audit and inspection team

- 43 The key members of the audit and inspection team for the 2007/08 audit are shown in the table below.

Table 2

Name	Contact details	Responsibilities
Judith Tench Relationship Manager and District Auditor.	j-tench@audit-commission.gov.uk 01928 523556	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. 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 Cabinet / Audit & Risk Management Committee.
Iain Miles Audit Manager (Liz Temple-Murray from November 2007)	i-miles@audit-commission.gov.uk 0151 666 3483	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Director of Finance.
Peter Forrester Area Performance Lead	p-forrester@audit-commission.gov.uk 01928 523550	Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment.

Independence and objectivity

- 44 We wish to draw the following matter to your attention. Judith Tench is married to the Director for Local Governance at the Centre for Educational leadership at the University of Manchester. His primary role is to lead on the strategic development and management of local government development programmes. The centre is contracted to work with the North West Improvement Network.

- 45 We have reviewed this relationship against the ethical standards issued by APB and with the Commission's own requirements set out in its Code of Audit practice. We have concluded that it does not affect her independence and objectivity as your District Auditor. If you have any concerns or questions about this issue you should raise them with Judith Tench in the first instance.
- 46 We are not aware of any other relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 47 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

Quality of service

- 48 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 the Relationship Manager or District Auditor in the first instance. Alternatively you may wish to contact the North West's Head of Operations, Frank Kerkham.
- 49 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 or on request.

Planned outputs

- 50 Our reports will be discussed and agreed with the appropriate officers before being issued to the appropriate Member committee.

Table 3

Planned output	Indicative date
Opinion Audit Plan	30 November 2007
Data Quality report	30 November 2007
Interim Audit Memorandum	30 June 2008
Annual Governance report	30 September 2008
Opinion on the Financial Statements and Value for Money Conclusion	30 September 2008
Final Accounts Memorandum (to the Director of Finance)	30 November 2008

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Planned output	Indicative date
Use of Resources report	31 December 2008
Inspection Reports	TBC
Local Performance Work	TBC
Annual Audit and Inspection Letter	TBC
BVPP report	31 December 2008

Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
The Council faces significant financial challenges. It will need to ensure adequate arrangements are in place to deliver savings targets for 2007/08 and the Council's efficiency plan, which seeks to achieve efficiencies of at least £30m for the period 2008/09 - 2010/11.	A range of monitoring arrangements are in place at officer level. Plans and progress are to be reported to members.	Yes	We will monitor the progress the Council's plans and progress in achieving its efficiency plan.	VFM conclusion criteria - 9 The body has put in place arrangements to ensure that its spending matches its available resources. 10 The body has put in place arrangements for managing performance against budgets.
Many key Council services are delivered through partnership. The Council needs to ensure that its arrangements to review governance, risk management and the financial performance of significant partnerships are effective.	The Council has recognised the need to strengthen arrangements and agreed a detailed action plan in October 2006 following our review in 2005. A register of key partnerships for targeted action is being finalised by the Head of Legal.	Yes	We will undertake a review of aspects of the Council's partnership working. This will include a follow-up of governance and financial management issues of partnership working identified in previous work on Probity in Partnerships, Social Services Budgetary Control and Working in Partnership - Health Improvement.	VFM Conclusion criteria 5 The body has put in place arrangements to maintain a sound system of internal control. 6 The body has put in place arrangements to manage its significant business risks. 12 The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.

18 Audit and Inspection Plan | Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
<p>Waste and recycling levels are a key issue for Merseyside councils. Councils are not meeting government targets.</p>	<p>The Council entered into a long-term contract to improve waste collection and recycling performance in the Autumn of 2006.</p>	<p>Yes</p>	<p>We will assess the progress that is being made and the arrangements for joint working.</p>	<p>VFM conclusion criterion 3 The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members. 7 (arrangements to manage and improve value for money).</p>
<p>The Council has faced significant challenges in the implementation of its 1 Business agenda and related change management.</p>	<p>Operational and contractual issues are being actively managed, with additional external support. There is increased capacity within the Council to support change management.</p>	<p>Yes</p>	<p>We will follow-up the issues identified in our earlier 1 Business report and report on progress.</p>	<p>VFM Conclusion criteria 3 The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members. 7 (arrangements to manage and improve value for money). 6 The body has put in place arrangements to manage its significant business risks 7 The body has put in place arrangements to manage and improve value for money.</p>

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
<p>Health inequalities are a significant issue in Merseyside and parts of Cheshire. In order to address the challenges it is important that agencies work together to ensure that resources are targeted effectively.</p>	<p>The Council has established arrangements to work with partners around health and is reviewing its performance managements for partnership working.</p>	<p>Yes</p>	<p>We will carry out an overview of current arrangements and will build on work carried out in 2005/06. However, the main focus will be on how well agencies across the sub region are working in collaboration. We will carry out the initial stage in 2007/08 with a view to further work in 2008/09.</p>	<p>3 The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members. 7 (arrangements to manage and improve value for money).</p>
<p>Public authorities have a statutory duty to promote equal opportunities and eliminate discrimination in the way services are provided. Demographic changes, including increasing numbers of migrant workers and asylum seekers, mean organisations are at risk of failing to meet the needs of the different communities they serve.</p>	<p>The Council is developing its plans to improve its performance in relation to equality and diversity.</p>	<p>Yes</p>	<p>Carry out an initial analysis of the arrangements in place to address community cohesion. Working across our audited bodies (health, local government, police and fire), we will evaluate how well public sector organisations understand the differing needs of their communities and how services have been shaped to respond to these needs. The initial work will be a baseline risk assessment and depending on the outcome of this may lead to a more detailed review from 2008/09.</p>	<p>VFM conclusion criterion (eg) 2 (channels of communication with service users and other stakeholders including partners, and monitoring arrangements to ensure that key messages about services are taken into account).</p>

Appendix 2 – Audit and inspection fee

- 1 Table 4 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the [planned/actual] fee for 2006/07.

Table 4

Audit area	Planned fee 2007/08 £	Planned fee 2006/07 £
Audit		
Financial statements *	257,300	219,400
Use of resources (including BVPP)	86,900	120,500
Data quality	32,400	33,500
Whole of government accounts	2,400	**
National Fraud Initiative	1,200	0
Total audit fee	380,200	373,400
Inspection		
Relationship management	14,700	21,500
Direction of Travel	14,800	9,500
Service inspection	31,600	27,300
Less ODPM Grant	15,300	14,600
Total inspection fee	45,800	43,700
Total audit and inspection fee	426,000	417,100
Certification of claims and returns	£145,000	£165,000
[Voluntary improvement work]		

* Includes planning and control.

** Fees for Whole of Government accounts were met centrally in 2005/06.

- 1 When comparing the total fee with the Audit Commission's scale of fees, Wirral Council's fee is 8 per cent above the indicative level (9 per cent in 2006/07) and is within the normal level of variation specified by the Commission
- 2 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.
- 3 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.
- 4 The fee (plus VAT) will be charged in 12 equal instalments from April 2007 to March 2008.

Specific audit risk factors

- 5 In setting the audit fee we have taken into account the following specific risk factors:
 - Changes in accounting regulations that come into force during 2007/08
 - The key issues identified in the Council's Annual Audit & Inspection Letter and summarised in paragraph 12 above.

Assumptions

- 6 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 2006/07;
 - 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;
 - good quality working papers and records will be provided to support the financial statements by 30 June 2008;
 - 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.

- 7 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 8 Changes to the plan will be agreed with you. These may be required if:
 - new residual audit risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Specific actions Wirral Council could take to reduce its audit and inspection fees

- 9 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit and inspection fees. We have identified the following actions Wirral Council could take:
 - the Director of Finance should improve the arrangements for the overall internal qualitative review of the financial statements prior to their approval by Members and submission for audit
 - senior managers in departments need to recognise their responsibility for producing accurate performance information
 - Officers should document the control environment for each grant claim and provide evidence that the controls operated throughout the year.

Process for agreeing any changes in audit fees

- 10 If we need to make any significant amendments to the audit fee during the course of this plan, we will firstly discuss this with the Chief Executive and Director of Finance. We will then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Risk Management Committee.

Appendix 3 – Independence and objectivity

- 1 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 my 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).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 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.
- 4 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 Audit & Risk Management Committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.
- 5 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.

- 6 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 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 District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
 - the District 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; and
 - the District Auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.