
Audit Plan

Hertfordshire County Council

Audit 2000/2001



DISTRICT AUDIT

delivering public audit
for the Audit Commission

Karen McConnell - District Auditor

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1. Introduction

Our principal objective as your appointed auditor is to undertake an audit which meets the requirements of the Audit Commission's Code of Audit Practice. The latest Code was approved by Parliament last year, and incorporates our audit of best value.

2. Our responsibilities

To ensure our audit is relevant to the Council, one of the prime requirements of the Code is that we design a programme of work to address the significant operational and financial risks you face which impact on our responsibilities. To help us do this you have initiated a process of collating operational risks. In addition, we have used opportunities for meetings with senior officers and reviewed committee and other papers. We have also taken account of national issues affecting local government. In our work we need to consider whether you have adequate arrangements for:

- securing 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 for preventing and detecting fraud and corruption
- securing economy, efficiency and effectiveness in the use of your resources
- collecting, recording and publishing specified performance information.

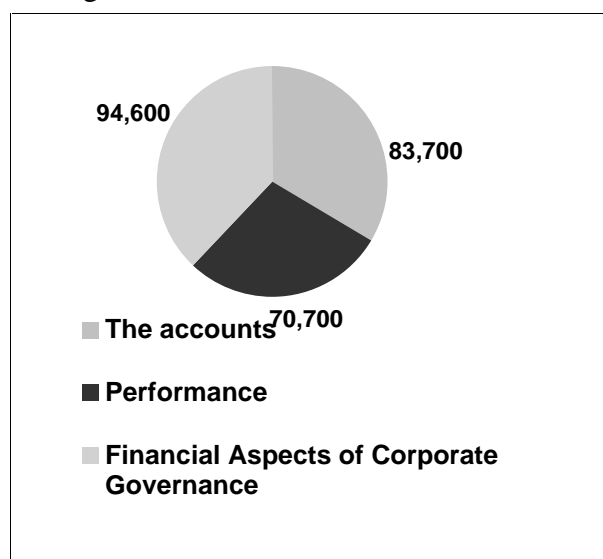
We also have a responsibility to consider whether you have complied with the statutory requirements in respect of the publication of your Best Value Performance Plan.

Furthermore, we have to give an opinion on whether your accounts present fairly the financial position of the Council.

3. The fee

Your audit fee has been determined on the basis on the risks we have identified (as set out on pages 2 and 3) and the work we have agreed with you to address those risks.

The total fee for the Code of Practice audit is £249,000, including our work on best value. The fee is below our combined audit fee for last year and we have not added on the Audit Commission fee increase of 4.25%. This excludes the work billed separately by the Audit Commission in respect of its cross-cutting audits of £16,000.



In addition, we estimate a fee of £36,000 for the certification of your grant claims. This is subject to any changes in annual grant claim certification requirements. Grant claims are charged on a per diem basis.

4. Joint working arrangements and assumptions

As in previous years the proposed audit fee assumes the continuation of good joint working arrangements. This includes the provision of adequate working papers and the

continuation of good Internal Audit cover. The Council has been proactive in adopting a managed audit approach and we propose to build upon this to further develop our joint working arrangements in order to update protocols to reflect the new responsibilities under the Code of Audit Practice. These protocols should act as a form of agreement for mutual co-operation and exchange of information and will be developed with officers as the audit progresses.

Our audit fee also includes a small sum for dealing with routine legality work, such as responding to letters from members of the public. We will seek to vary our fee if:

- the risk environment deteriorates significantly, or if key recommendations are not implemented
- additional work is required in excess of the sum set aside for legality work, such as a formal objection or extensive questions.

5. The Accounts

We are required to give an opinion on your accounts.

We will do this by reviewing your core processes, including the:

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

We will then undertake detailed testing of the figures in the Statements of Account.

We will also undertake the following additional work to address the risks we have identified. This work will be undertaken prior to the audit of the financial statements.

| Risk | Response |
|--|--|
| There are new requirements coming into effect regarding pensions, early retirements and provisions. There is a risk the accounts may be incorrectly stated. | We will discuss your approach with officers. |
| A new approach has been introduced for 2000/01 for accounting for best value. As for other authorities there is a risk that the changes will not be fully implemented. | We will discuss your approach with officers. |

6. Performance

We will review:

- whether you have adequate arrangements to secure economy, efficiency and effectiveness in the use of your resources
- your Best Value Performance Plan (BVPP) to see whether you have complied with the statutory requirements in respect of its publication
- your systems for collecting, recording and publishing specified performance information.

We will also undertake the following additional work to address the risks we have identified.

| Risk | Response |
|---|---|
| The Council is merging its education and social services and is the first shire county to undertake this type of merger. There is a risk to the users of Council services if the merger is not effective. | We will undertake a review to assess the effectiveness of the implementation of the management arrangements. |
| The Council is undergoing a considerable change agenda in responding to changing national priorities. A key resource in addressing these changes is an appropriately skilled workforce. There are risks to the Council if its skills requirements are not adequately articulated and if it is unable to retain appropriate staff. | The Council has identified this risk and will be undertaking a review of its arrangements as part of its best value service review commencing in October. We will continue to monitor the Council's progress. |
| The Council is increasingly working in partnership with external agencies, in particular through the creation of a new partnership trust. Working across boundaries brings risks through ensuring appropriate accountability but also through specifying and identifying needs. | We will work with the Council as its partnership arrangements develop to provide assurance and to provide examples of good practice. |
| The EGovernment agenda is becoming increasingly important. The Council is considering how it can achieve the demanding targets that have been set. | We will monitor the progress you are making and share with you best practices we have found elsewhere |

District Audit will also undertake phase two of the Audit Commission's study on Better Services for Vulnerable Older People. The cost of this work is shown as additional to our audit fee and is billed separately by the Audit Commission

We will follow up our work from previous years. This will also help to ensure you have adequate systems for implementing agreed recommendations.

7. Governance

We will review the adequacy of your arrangements for:

- securing the legality of transactions with a significant financial consequence
- ensuring your financial standing is soundly based, paying particular attention to the Council's apparently low levels of balances and reserves, as there is a risk that the Council may find it difficult to meet any unexpected calls for extra resources.
- satisfying yourselves that your systems of internal financial control are both adequate and effective
- ensuring proper standards of financial conduct and preventing and detecting fraud and corruption.

We will also undertake the following additional work to address the risks we have identified

| Risk | Response |
|--|--|
| <p>The Local Government Act 2000 has a wide-ranging impact upon the Council's arrangements.</p> | <p>We will assess the Council's arrangements to comply with the requirements of the Act, and in particular, we will review arrangements for complying with requirements for:</p> <ul style="list-style-type: none"> • democratic renewal • community strategy • corporate governance. |
| <p>Additional legislation continues to place demands upon the Council. There are generic risks to all authorities for non-compliance with legislation.</p> | <p>We will review the Council's arrangements for complying with the requirements of two specific Acts: the Data Protection Act, and the Human Rights Act.</p> |
| <p>The Council is commencing the process of procuring a major new financial system, which will underpin the Council's financial operation. There is a risk to the Council from failure to implement an appropriate system on a timely basis.</p> | <p>We will work alongside officers to monitor the key stages of the project management of the system to provide assurance to the Council.</p> |
| <p>Internal Audit is a key control element within the Council and its arrangements for internal financial control. There is a risk to the Council if Internal Audit resources are not directed towards key risks in an effective manner.</p> | <p>We will review the effectiveness of Internal Audit as a key control with the Council's internal financial control framework.</p> |

8. Work outside the Code

We have identified two projects which potentially fall outside the strict definitions of our Code of Audit Practice work. These are areas where we do not assess a risk to the Council, but where we consider value could be added to the Council's arrangements.

| Area | Potential action |
|---|--|
| The Council has begun to expand its methodology for identifying risk. We would commend the Council upon its initiative and feel this development could be considerably enhanced as a management tool. | We would work with the Council to provide an assessment of the current development and proposals, bringing experience from other areas of risk management. Fee would be @ £10,000 |
| 2001 sees a new census being taken which provides a opportunity for the Council to use data to update and enhance its strategies | We would assess the Council's arrangements for maximising the benefit of this data on a timely basis. Fee would be @ £8,600 |

9. Future Planning Intentions

We will continue to discuss potential risk areas with you and build this into the planning process for future years.

10. The Audit Team

The key members of your team who are involved in the planning and running of the audit are shown below. In addition, we will draw upon a further pool of staff to undertake the audit.

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|------------------|---------------------|
| Karen McConnell | District Auditor |
| Carol Mounfield | Audit Manager |
| Sally Withington | Senior Specialist |
| Mark Woodall | Computer Specialist |

11. Audit outputs

The outputs of our work will be summarised in our Audit Letter, which we will aim to present to Members in December. In addition we will issue the following:

| Report | Date draft report due |
|---|---|
| Report on core processes | June 2001 |
| Report on financial statements | December 2001 |
| Review of Best Value Performance Plan | June 2001 |
| Review of Internal Audit | November 2001 |
| Reviews of compliance with legislation | To be agreed |
| Review of education/social service arrangements | To be agreed |
| Review of partnership arrangements | To be agreed |
| Review of services to older people | This is being undertaken by District Audit using the Health Authorities as lead agents. |
| Review of final accounts | December 2001 |

10. Further details of our responsibilities under the Code of Audit Practice

The Audit Commission's publication "Statement of Responsibilities of Auditors and Audited Bodies" gives further information on our respective responsibilities under the new Code of Audit Practice.

