

audit 2001/2002

Audit Plan
Hertfordshire County Council

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DISTRICT AUDIT

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Introduction

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

Our responsibilities

To ensure our audit is relevant to your 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.

We thus 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 that your Accounts present fairly the financial position of the Authority. We also give an opinion on the accounts of the Pension Fund.

The fee

Your audit fee has been determined on the basis of the risks we have identified (as set out on pages 3 and 4) and the work we have agreed with you that we should undertake to address those risks.

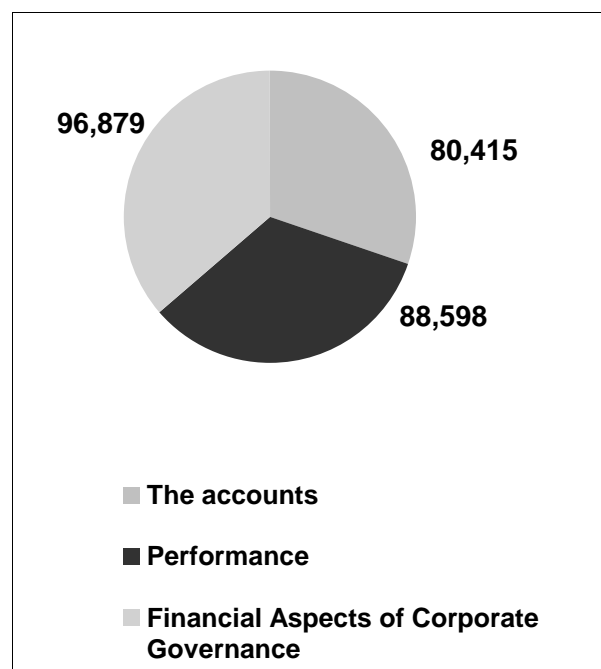
We would again remind you that planning will be ongoing and changes to the Plan may be required if any significant new risks emerge.

Our audit plan includes a fee in respect of Best Value based on the regime applicable to our 2000/01 audit. This element of our fee equates to £31,780. The Audit Commission is currently assessing the impact on audits of

the changes around Best Value announced in the Local Government White Paper. The new regime is intended to bring together audit, inspection and an overall corporate inspection to deliver a single annual "report" card". You are one of the pathfinder Councils working with the Audit Commission developing this new comprehensive performance assessment framework approach (CPA). As the Audit Commission develops its approach to CPA, there may be an impact upon the fee included in this Audit Plan in respect of Best Value, which we will need to discuss with you.

No changes will be made without first discussing and agreeing them with you.

The total fee for the Code of Practice audit is £265,892 plus VAT.



There will also be a fee for the certification of your grant claims. The fee regime in respect of certifying grant claims has changed for grant claims relating to the financial year 2001/02 onwards in line with the Audit Commission guidance "Audit of 2001/02 Accounts". It is difficult to predict with certainty the number of new claims that may arise in the year and which may affect our estimate but we expect the fee to be in the region of £46,000.

Accounts

We are required to give opinions on your financial statements. In addition, we give an opinion upon the accounts of the pension fund.

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 statements of account.

We have identified the key risk to the opinions (shown below) on the financial statements and the pension fund as compliance changes in accounting practice.

Risk	Action proposed
If the Council does not comply with changes in accounting practice, there is a risk the accounts may be qualified.	We will discuss the impact of changes in accounting practice with your officers in advance of our audit of the financial statements. The main changes include FRS 17 (retirement benefits) and the new version of the Best Value Accounting Code of Practice. We will also consider the extent of any disclosures required in respect of pooled budget schemes.

Performance

We will review whether you have adequate arrangements to secure economy, efficiency and effectiveness in the use of your resources.

The Audit Commission has introduced a new requirement for its auditors to assess risks it has identified as nationally applicable to audit bodies. We will review the areas required by the Audit Commission and report any risks arising from this work.

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

Risk	Action proposed
Last year we undertook a review of schools budgets and identified a comparatively high level of schools balances and that your schools advisers were working with schools to review the levels of reserves.	We intend to undertake a detailed follow-up of our report and assess the effectiveness of the actions taken by the schools advisers.
There is a risk that the Council may not obtain value for money from its external audit if recommendations arising from reports are not fully implemented.	We intend to undertake a high-level follow-up of recent audit reports.

In addition to the above the recent Local Government White Paper heralds new arrangements for Best Value that will require the Council to be subject to a corporate performance assessment over the coming year. There may also be a requirement for a more comprehensive audit of your performance indicators. Although our plan includes some provision for this work, it may need to be altered once the Audit Commission's detailed approach is announced.

Governance

We will update last year's detailed review to determine whether you have adequate arrangements (as stated above) for:

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

Limited testing will be undertaken to test check that those arrangements are working effectively in practice.

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

Risk	Action proposed
The Local Government Act 2000 continues to have a wide-ranging impact upon the Council's arrangements	We will continue the work from our previous audit to assess the Council's arrangements for compliance with requirements of the Act, in particular in respect of: <ul style="list-style-type: none"> • democratic renewal • community strategy.
During our last audit, we commenced a review of the Council's project management arrangements, focussing on the proposed new main accounting system. The Council is in the process of adopting PRINCE as a project management system whilst the project for the new accounting system continues to evolve. There is a continued risk to the Council if project management is inappropriate and untimely.	We will continue to work alongside officers to monitor the key stages of the project management of the main accounting system to provide assurance to the Council.

Risk continued	Action proposed
The Council is in the process of establishing a number of pooled budget schemes with the local health economy. There is a risk to the Council of fraud or irregularity, if appropriate controls are not in place.	We will undertake a review of the controls established to prevent fraud and irregularity.
The Council experienced a number of difficulties in 2000/01 in respect of its asylum seekers grant claims, concerning both the level of expenditure in relation to grant available, and in respect of prompt provision of evidence to support the grant claim.	We will undertake a review of asylum seekers.

Work outside the Code

During the year you may identify areas where we can assist you that do not relate to our responsibilities under the Code.

We will be happy to discuss these areas with you and will provide you with a quote which must be treated in accordance with your Financial Regulations. We look forward to working with you in these areas.

Future planning intentions

We identified some risks which may be appropriate for review in future years. We will continue to keep these under review as part of our planning for next year.

Risk	Action proposed
The Council has adopted a new constitution and will shortly take on responsibility for scrutiny of the NHS.	We will review the efficacy of the new political working arrangements and consider whether proper arrangements are in place to manage Members' new responsibilities.
Corporate performance assessment and the Council's own Best Value Review Programme may identify areas where service improvements or better value for money could be secured.	We will consider with you the potential benefit of our reviewing these service areas.

The audit team

Karen McConnell District Auditor

Carol Mounfield Audit Manager

Rita Patel Performance Specialist

Mark Woodall IT Specialist

We confirm that our audit team are all independent of the Council and your officers.

There are also no potential conflicts of interest which we need to bring to your attention.

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 new Code of Audit Practice.

The Audit Commission has also issued a further publication in February 2002 "Statement of Responsibilities of grant-paying bodies, the Audit Commission and appointed auditors in relation to grant claims and returns".

Status of our reports to the Council

We will provide reports, or other output as agreed, to the Council for each of the risk areas identified above. To comply with SAS 610 Reports to Directors or Management, we would remind you that our reports are:

- prepared for the sole use of the Council
- not to be disclosed to a third party, or quoted or referred to, without our consent
- written without assuming any responsibility by ourselves to any other person.