

Audit and Inspection Progress Report

Salford City Council

Audit 2007/08

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 members/non-executive directors or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member/director or officer in their individual capacity; or
- any third party.

Copies of this report

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Summary of progress to date

- 1 This report summarises the progress that we have made so far in completing our agreed programme of work for the current year and provides an update on the key tasks that remain to be completed which will be reported in the Annual Audit and Inspection Letter by the end of March 2009.
- 2 The issues and matters arising from our work are monitored on an ongoing basis at our regular liaison meetings with the Strategic Director of Customer and Support Services and other senior officers in his directorate. There are no specific matters which we feel it is necessary to draw to the Audit Committee's attention at this stage. We are satisfied that appropriate action is being taken on any matters that we have reported to date.
- 3 The Table below summarises the main pieces of work which have been recently completed, together with the key tasks that remain to be completed.

Planned work	Status	Position at June 2008
Good Governance Review	<i>Largely completed</i>	Draft report issued, Action Plan being agreed
Triennial Review of Internal Audit	<i>Completed</i>	Report finalised May 2008 - see Appendix 1 for summary.
Inspection of Strategic Housing Services	<i>Largely completed</i>	Draft report issued May 2008
Opinion on the financial statements	<i>Planning work completed</i>	Work to be completed July to September 2008 and will be reported in the Annual Governance Report.
Whole of Government Accounts	<i>Planned</i>	Return to DCLG to be completed by early October 2008.
Final accounts memorandum	<i>Planned</i>	Final accounts memorandum to be agreed following issue of the opinion on the financial statements.
Value for money conclusion	<i>In progress</i>	Work to be completed by late September 2008 and will be reported in the Annual Governance Report.
Annual Governance Report	<i>Planned</i>	The Annual Governance Report will be presented to the Audit and Accounts Committee in late September 2008.
Data quality/ performance information (PI) work	<i>Planned</i>	Data return to be completed and submitted to the Audit Commission for most PIs by 15 October 2008.

Planned work	Status	Position at June 2008
Use of resources assessments	<i>Work currently being planned</i>	<p>Auditors' assessments on financial reporting, financial management, financial standing, internal control and value for money - key dates:</p> <ul style="list-style-type: none"> • submission by the auditor to the Audit Commission by 24 October 2008 for quality assurance; • draft scores shared with the Council, 14 November 2008; and • Audit Commission notify the Council of its overall use of resources score, 8 December 2008.
Performance work on Partnership Working	<i>In progress</i>	Progress report on this work was provided to the Audit Committee in April 2008.
Direction of Travel (DoT) Statement	<i>Planned</i>	<p>The Council to provide its self-assessment information to the auditor by 31 October 2008.</p> <p>Other inspectorates issue performance reports during October/November 2008.</p> <p>Draft DoT Statement issued to the Council mid-January 2009.</p>
Comprehensive performance assessment (CPA)	<i>Planned</i>	Updated scores published by the Audit Commission in February 2009.
Annual Audit and Inspection Letter	<i>Planned</i>	Draft letter to be shared with the Council late February 2009 and finalised for publication by 31 March 2009.

Statement of responsibilities of auditors and of audited bodies

- 4 The appointment of auditors for local government is made within a statutory framework where audits are required to be executed in accordance with the applicable Code of Audit Practice. The terms upon which the Audit Commission appoints auditors are outlined in its 'Statement of responsibilities of auditors and of audited bodies', a copy of which is provided to all local government entities in England. The Code and the Statement deals with many of the matters that would in the private sector context have been dealt with in a letter of engagement.
- 5 Given that the Audit Commission recently updated the Statement and that this is the first meeting of the new Audit and Accounts Committee we thought it would be timely if we reminded members of these arrangements. A copy of the Statement is attached at Appendix 2 and we will highlight the key points for members at the meeting on 30 June 2008.

Appendix 1 – Triennial review of Internal Audit

Introduction

- 1 All local authorities have a statutory responsibility to maintain an adequate and effective system of internal audit of their accounting records and control systems. External auditors have a statutory responsibility under the Audit Commission's Code of Audit Practice to:
 - give an audit opinion on the Council's financial statements; and
 - give a conclusion on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 Internal auditors provide officers and members with an independent assessment of the adequacy and effectiveness of the internal controls operating within the organisation. Therefore, some of the work Internal Audit carry out is directly relevant to the external auditor's statutory responsibilities.
- 3 It is against this background that we undertake an ongoing review of Internal Audit. In particular:
 - we confirm that Internal Audit comply with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government. This gives us assurance that its work is to a standard that we can rely on to inform our conclusions;
 - we review whether Internal Audit is effective as a management control, as part of our control environment assessment; and
 - we review and seek to place reliance on specific pieces of Internal Audit work where that work covers areas relevant to our Code of Audit Practice objectives.
- 4 Our ongoing assessment of Internal Audit is updated each year and is supported every three years by a more detailed review, (referred to as the triennial review). This aims to ensure Internal Audit's work complies with current professional standards. Our last triennial review was completed as part of our 2004/05 audit and was reported in August 2005. Our overall conclusion then was that Internal Audit was meeting the CIPFA standards.
- 5 The next triennial review is therefore due this year and was included in our agreed plan for 2007/08. This report sets out the main findings and conclusions from that review.

CIPFA Code of Practice for Internal Audit, 2006

- 6 Since our last triennial review CIPFA has revised the Code of Practice for Internal Audit in Local Government. The new Code was published in 2006 and now includes a separate standard on ethics for internal auditors and some changes in emphasis and detail around the standards relating to:
- staffing, training and continuing professional development;
 - audit strategy and planning;
 - undertaking audit work; and
 - performance, quality and effectiveness.
- 7 Internal Audit has carried out a self-assessment against the new Code standards and reported the outcome to the Audit Committee in June 2007. This confirmed that Internal Audit was largely compliant and identified a few action points relating to some of the specific areas of the standards. Internal Audit has subsequently confirmed to the Audit Committee, at its meeting in April 2008, that the identified actions have been implemented and that based on its self-assessment it is now fully compliant with the new Code standards.

Audit approach

- 8 In planning our work for the triennial review we have had regard to the following factors:
- the previous triennial review and subsequent ongoing assessment of Internal Audit have not identified any significant non-compliance with the standards in the CIPFA Code;
 - our ongoing liaison and review of Internal Audit work has found that work is generally completed to a good standard, and
 - the proactive and open approach that Internal Audit has taken in undertaking its self assessment with the new Code and the actions that it has taken to demonstrate compliance.
- 9 Against this background our review has focused on:
- reviewing the key Internal Audit documents which supported the self assessment with a view to confirming that there is sufficient evidence to demonstrate that Internal Audit meets the standards in the CIPFA Code;
 - testing the application of the standards and procedures by reviewing a sample of audit working papers for specific pieces of work that have been completed; and
 - meeting with key Internal Audit staff to discuss and clarify any issues arising during the review.

Main conclusions

- 10** We concluded from our overall review and testing of the documentation and specific pieces of work that Internal Audit continues to meet the standards in the CIPFA Code of Practice.
- 11** We noted from our review of a sample of audit working paper files and reports that all were of a good standard and demonstrated practical application of the CIPFA standards. In particular we would draw attention to the following.

Code standard	Comment
Undertaking audit work	<p>In-house pro forma used in all cases setting out the objectives, scope, timing, resources and reporting requirements for each audit assignment.</p> <p>Evidence in all cases of project briefs being approved by the audit supervisor and agreed with client management.</p> <p>Clear linkage between audit conclusions and recommendations and audit evidence on which they are based.</p>
Reporting	<p>Good in-house report format and style used in all cases.</p> <p>Follow up arrangements (post implementation review) in place.</p>
Performance, quality and effectiveness	<p>Use of Review of Approval Summary (RAS) pro forma to help ensure consistent application of required standards for supervision and reporting of audit assignment working papers and preparation of internal reports prior to release to client management, for discussion and agreement.</p>

- 12** Given the findings and conclusion from our review we are satisfied that:
- Internal Audit makes an effective contribution to the control environment of the Council; and
 - we can continue to seek to place reliance on specific pieces of work undertaken by Internal Audit that are relevant to our Code of Audit Practice objectives.

Appendix 1 – Statement of responsibilities of auditors and of audited bodies

See attached.