

Supplementary Committee Agenda



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Monday, 18th June, 2007

Place: Committee Room 1, Civic Offices, High Street, Epping
Room: Council Chamber
Time: 6.30 pm
Committee Secretary: Gary Woodhall, Research and Democratic Services
Tel: 01992 564470 Email: gwoodhall@eppingforestdc.gov.uk

5. PROVISIONAL REVENUE OUTTURN (Pages 3 - 16)

(Head of Finance) To consider the attached report.

11.a Annual Audit and Inspection Plan 2007/08 (Pages 17 - 38)

(Joint Chief Executive (Resources)) To consider the attached report and any comments to be made to the Audit and Governance Committee at its meeting scheduled for 25 June 2007.

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Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Date of meeting: 18 June 2007.

Portfolio: Finance, Performance Management and Corporate Support Services.

Subject: Provisional Revenue Outturn 2006/07.

Officer contact for further information: Peter Maddock (01992 - 564602).

Democratic Services Officer: Gary Woodhall (01992 – 564470).

Recommendations/Decisions Required:

- (1) That the overall 2006/07 revenue out-turn for the General Fund and Housing Revenue Accounts (HRA) be noted; and
- (2) That, as detailed in Appendix B, the carry forward of £868,000 District Development Fund expenditure be approved.

Introduction:

1. This report provides an overall summary of the revenue outturn for the financial year 2006/07.

General Fund

2. The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2006/07.

	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
General Fund					
Net Expenditure after Adjustments	15,403	16,294	15,627	224	(667)
Government Grants and Local Taxation	15,792	15,792	15,792	-	-
(Contribution to)/from Balances	(389)	502	(165)	224	(667)
Opening Balances – 1/4/06	(6,456)	(6,456)	(6,456)	-	-
(Contribution to)/from Balances	(389)	502	(165)	224	(667)
Closing Balances – 31/3/07	(6,845)	(5,954)	(6,621)	224	(667)

3. Net expenditure for 2006/07 totalled £15.627 million, which was £224,000 (1.4%) above the original estimate and £667,000 (4.1%) below the revised. When compared to a gross expenditure budget of approximately £60 million, the variances can be restated as 0.4% over and 1.1% under respectively.

4. An analysis of the changes between Continuing Services Budget (CSB) and District Development Fund (DDF) expenditure illustrates where the main variances in revenue expenditure have occurred.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	14,480	14,406	14,091	(389)	(315)
In Year Growth	1,245	2,581	2,219	974	(362)
In Year Savings	(472)	(843)	(833)	(361)	10
Total Continuing Services Budget	15,253	16,144	15,477	224	(667)
DDF – Expenditure	2,137	2,937	1,987	(150)	(950)
DDF – One Off Savings	(1,141)	(1,497)	(2,161)	(1,020)	(664)
Total DDF	996	1,440	(174)	(1,170)	(1,614)
Appropriations	(846)	(1,290)	324	1,170	1,614
Net Expenditure	15,403	16,294	15,627	224	(667)

Continuing Services Budget

5. CSB expenditure was £224,000 above the original estimate and £667,000 lower than the revised. The variances have arisen on both the opening CSB, £315,000 lower than the revised estimate and the in year figures, £352,000 lower than the revised estimate.
6. The savings on the opening CSB again relate in the main to staff savings due to vacancies. Actual salary spending for the authority in total, including agency costs, was some £17.914 million compared against an original estimate of £18.704 million. However although the total salary savings in 2006/07 were higher than in 2005/06, a greater proportion of this saving has fallen on the Housing Revenue Account and the Housing Repairs Fund than the General Fund. The monetary value of General Fund savings is similar to last year at around £480,000.
7. The introduction of the debt recovery policy and subsequent improvement in debt collection rates has shown the Bad Debt provision to be too high, therefore a reduction in the provision has been made which shows as a saving on the General Fund. Other savings are relatively minor.
8. The in year CSB growth figure was increased substantially due to the former Waste Management Contractor going into liquidation and a new contractor being sought at short notice. A supplementary CSB budget of £1.5 million was approved to deal with the additional costs of the contract. Close management of the contract and the decision to purchase the refuse fleet have meant that revenue costs have been kept to a minimum and a saving of £168,000 has been achieved on this figure. The remaining £184,000 saving arose because of difficulties recruiting suitable ICT staff after the restructure and increases in energy costs were not as marked as expected. Full details of items within the CSB growth figures can be found at appendix A.

District Development Fund

8. Net DDF expenditure was £1,170,000 below the original estimate and £1,614,000 below the revised. There are requests for carry forwards totalling £894,000 and therefore the variation actually equates to a £720,000 net under spend on the DDF items undertaken.

These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

9. The DDF increased between the Original and Revised position by some £444,000, this was due to a mixture of items brought forward from 2005/06 and new items identified during 2006/07, the major item in the latter category being in relation to Waste Management. There was also items of income to the General Fund totalling £1,091,000 which have then been appropriated to the DDF (see other items on appendix B). The largest variation was seen on the Local Authority Business Growth Incentive Scheme (LABGI) grant. Indications were that an increase on original expectations could occur though the magnitude of the increase (£603,000 on the original figure) did not become apparent until extremely late in the financial year.
10. Three portfolios saw underspends in excess of £100,000 on their DDF when compared to the revised estimate. Much of this is slippage, for example unspent Planning Delivery Grant and local plan work. However Interest on investments exceeded expectations and this has been shown as Increased DDF income. There was also a significant underspend on the Waste Management DDF. The underspend here has been carried forward for the time being however a full review of the necessary budgetary requirements to carry out the new Waste Management contract will be made when the identity of the new contractor and the exact services to be provided are known. Full details of the DDF are shown on appendix B.
11. The appropriation of additional income items and the large under spend mean the balance on the DDF has increased to £3.181 million. Although some of this is committed to financing the present programme there is some £1.5 million DDF monies that are at this time unallocated.

Appropriations

12. The only variation on appropriations arise from the underspend on the DDF.

Housing Revenue Account

13. The table below summarises the revenue outturn for the Housing Revenue Account.

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	13,030	13,307	12,904	(126)	(403)
HRA Subsidy Payable	8,345	8,230	8,230	(115)	-
Depreciation	8,381	7,638	7,766	(615)	128
Total Expenditure	29,756	29,175	28,900	(856)	(275)
Gross Dwelling Rents	22,157	22,094	22,039	118	55
Other Rents and Charges	4,292	4,271	4,413	(121)	(142)
Total Income	26,449	26,365	26,452	(3)	(87)
Net Cost of Service	3,307	2,810	2,448	(859)	(362)
Interest and Other Transfers	1,374	1,726	1,735	(361)	(9)
Transfer from Major Repairs Reserve	3,854	3,111	3,239	615	(128)
Net Operating Income	(1,921)	(2,027)	(2,526)	(605)	(499)

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Appropriations					
Capital Expenditure Charged to Revenue	2,150	2,388	2,388	238	-
Other	188	144	76	(112)	(68)
Deficit/(Surplus) for Year	417	505	(62)	(479)	(567)
Opening Balance – 1/4/06	(5,599)	(5,599)	(5,599)	-	-
Deficit/(Surplus) for year	417	505	(62)	(479)	(567)
Closing Balance – 31/3/07	(5,182)	(5,094)	(5,661)	(479)	(567)

14. A Deficit within the HRA of £417,000 and £505,000 was expected within its original and revised revenue budgets respectively, in the event a surplus of £62,000 occurred. The main differences between the actual figures and the revised estimates were savings on Management and Maintenance costs of £403,000. This mainly related to employee costs, though there were also savings on grounds maintenance, heating and lighting, sheltered unit management and the Estate Management budget.

15. Rental income was slightly down due to an increase in Council House sales toward the end of the financial year however non dwelling rents, particularly from commercial properties were higher than expected .

Statement in support of recommended action:

16. To note the provisional revenue outturn.

Options for action:

17. No other options available.

Consultation undertaken:

18. None

Resource implications:

Budget provision: As set out in report

Personnel: Existing

Land: None

Community Plan/BVPP reference:

Relevant statutory powers:

Background papers:

Environmental/Human Rights Act/Crime and Disorder Act Implications:

Key Decision reference (if required):

Portfolio	Service	Original 2006/07 £000's	Revised 2006/07 £000's	Actual 2006/07 £000's	Variance from Revised £000's
Leaders Portfolio					
	Civic and Member	18	18	18	0
	Members Allowances- Basic				
	Civic and Member	4	4	4	0
	Members Allowances- Spec Resp Chair Scrutiny Pa				
	Civic and Member	9	9	6	(3)
	Member Electronic Services (Trans from IEG)				
	Civic and Member	5	5	1	(4)
	Member Electronic Services Training				
	Civic Ceremonial	2	2	2	0
	Car Hire/ Civic Awards				
	Elections	9	21	20	(1)
	Changes in Arrangements				
	Electoral Registration/Voting	11	11	10	(1)
	Changes in Arrangements				
	Electoral Registration		6	1	(5)
	Additional Costs				
	Democratic Services	14	15	0	(15)
	Scrutiny Support Officer- new post				
	Democratic Services	(15)	(15)	(18)	(3)
	Savings resulting from new Cttee minute/report syst				
	Local Land Charges		(15)	(9)	6
	Increased income from Searches				
Total Leaders		57	61	35	(26)
Community Wellbeing					
	Concessionary Fares	582	482	482	0
	County Wide Scheme				
	Grants to Voluntary Organisat	3	3	3	0
	Homestart Rent				
	Welfare Transport	(7)	(7)	(7)	0
	Transfer of Mini Buses to Donors				
	Safer Communities	20	20	20	0
	Community Support Officers				
	Safer Communities	17	17	17	0
	Crime Reduction Assistant- Permanent F/T				
	Safer Communities	12	12	11	(1)
	Graffiti Removal				
Total Community Wellbeing		627	527	526	(1)
Finance, Performance Management and Corporate support services					
	Local Taxation	(50)	(50)	(58)	(8)
	Council Tax Increase in Court Costs				
	Finance Miscellaneous	(114)	(114)	(114)	0
	Potential Central support Savings				
	Local Taxation	20	20	20	0
	Additional Staffing				
	Housing Benefits	15	15	11	(4)
	Electronic Document management				
	Investment Income	15			0
	Lost Interest Income				
	Broker Road Indust Estate	(8)	(3)	(9)	(6)
	Rent Income				
	Oakwood Hill Indust Estate	(17)	(17)	(12)	5
	Rent Income				
	Finance & General Admin	(15)	(15)	(15)	0
	Staff Savings re HB Scanning & Indexing				
	Car Leasing	(10)	(32)	(32)	0
	Amendments to Scheme				
	Office Accommodation	4			0
	Refuse Collection/Disposal & Recycling				
	Office Accommodation	2	2	2	0
	Additional cleaning materials				
	Office Accommodation	11	15	15	0
	Additional costs of relating office cleaning contract				
	Human Resources		(50)	(50)	0
	Recruitment & Retention				
	Energy Sites	38	46	22	(24)
	Energy Costs				
Total Finance, Performance Management and Corporate Support Serv		(109)	(183)	(220)	(37)

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Portfolio	Service	Original 2006/07 £000's	Revised 2006/07 £000's	Actual 2006/07 £000's	Variance from Revised £000's
Customer Services, Media, Communications & ICT	ICT	60	60	0	(60)
	Service restructure - Corporate ICT Strategy				
	IEG	18	18	11	(7)
	Revenue Growth arising from IEG Initiatives				
ICT	Training - Staff Restructuring	10	10	0	(10)
	Essex eMarket Place- Subscription	18	18	18	0
Total Corporate Support Services		106	106	29	(77)
Housing	Private Sector Housing	25	22	22	0
	Additional Resources for CARE and Private sector G				
	Private Sector Housing	13	13	13	0
	Additional Staffing				
	Private Sector Housing	19	19	3	(16)
Housing Strategy	Env. Health. Practitioner for HMO's		2	1	(1)
	Contribution re Regional Hsg Co-ordinator	3	3	2	(1)
Total Housing	Handyman Scheme				
	Additional Resources				
Total Housing		41	59	41	(18)
Leisure	Leisure Management	(152)	(152)	(152)	0
	Leisure Services	(66)	(66)	(64)	2
Total Leisure		(218)	(218)	(216)	2
Environmental Protection	Waste Management	139			0
	Revised Refuse/Recycling Contract				
	Waste Management		1,500	1,332	(168)
	New Waste Contract				
	Waste Management		(262)	(262)	0
	Recycling Credits				
	Street Cleansing	3	3	3	0
	Paternoster Ward				
	Pollution Control	17	17	0	(17)
	Bobbingworth Tip Maintenance				
Pollution Control	25	25	19	(6)	
Total Environmental Protection		184	1,283	1,092	(191)
Planning & Economic Development	Building Control		(27)	(19)	8
	Additional Income				
	Building Control Ring Fence		27	19	(8)
	Restructure	76	90	70	(20)
Building Control	(18)	(18)	(13)	5	
Total Planning & Economic Development		58	72	57	(15)

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Appendix A

Portfolio	Service	Original 2006/07 £000's	Revised 2006/07 £000's	Actual 2006/07 £000's	Variance from Revised £000's
Civil Engineering & Maintenance	Free Car Parking Waltham Abbey	20	20	36	16
	Land Drainage QA Maintenance	7	7	4	(3)
	Energy cost increase		4	2	(2)
Total Civil Engineering & Maintenance		27	31	42	11
Total CSB		773	1,738	1,386	(352)
				Overspends/Income not achieved	16
				Underspends/ Income Overachievement	(368)
				Net Underspend	(352)

District Development Fund

Committee / Service	Description	2006/07		Difference	C/Fwd	over	under	2007/08		2008/09	2009/10
		Original	Revised					Estimate	Revised		
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Leaders											
Corporate Policy Making	Dev of Community Strategy-consulting & printing	10	10	0				10		10	
Corporate Policy Making	Top Man Structure Salary Increases	30	30	(30)	30			30		30	
Civic and Member	Audit & Governance Committee Training			0				2		2	
Local Land Charges	New IT system	11	2	(9)	9			9		9	
Total Leaders		40	51	(39)	39	0	0	12	0	51	0
Community Wellbeing											
Concessionary Fares	County Wide Scheme	(100)		(21)	21					21	
Total Community Wellbeing		0	(100)	(21)	21	0	0	0	0	21	0
Finance and Performance Management and Corporate Support Services											
Housing Benefits	Cover for Maternity leave	40	40	0				40		40	
Insurance/Risk Management	Implementation of Risk Management Strategy	2	5	3	(3)			9		6	
Housing Benefits	Grant - Verification Framework	(119)	(117)	0				(123)		(123)	
Housing Benefits	Housing Benefit Admin Grant (New Formula)	30	(18)	0				(44)		(44)	
Housing Benefits/Local Taxation	Replacement Revenues & Benefits system			0				80		80	40
Industrial Estates	Langston Road Industrial Estate- Development Proposals	50	16	(34)	34			34		34	
Investment Income	Extra Interest Income	(100)	(252)	(152)		152		0		0	
Unappropriated Land	Consultant's Fees - Dev Potential of Council Car Parks	5	4	(1)		1		0		0	
Housing Benefits/Local Taxation	New Revenues and Benefits system	26	0	(26)	26			26		26	
Housing Benefits	Grant-Admin- Welfare Reforms	(39)	42	(6)	6			6		6	
Housing Benefits	Welfare Reform Start up costs	15	0	(15)	15			15		15	
Housing Benefits	Electronic Document management			0				0		0	
Housing Benefits	Rent Allowances*	(2)		0				0		0	
Local Taxation	Introduce E Billing	10		0				0		0	
Finance Miscellaneous	Finance System Outstanding Commitments	37	17	(14)	14			20		34	
Finance Miscellaneous	Performance Reward Grant	(52)	(52)	0				0		0	
Finance Miscellaneous	Central Support Savings (One off costs)	56	55	0				0		0	
Payroll/HR	New ICT System	2	2	0				0		0	
Legal Services	Data capture re Land Tierrier	7	2	(2)	2			9		11	
Legal Services	Computerisation of Land Tierrier records	11		0				17		17	
Legal Services	Registration of Unregistered Titles			(1)	1			41		42	
Legal Services	Planning Delivery Grant re Legal Officer	24	2	0				0		0	
Human Resources	Recruitment & Retention		(100)	(100)		100		0		0	
Legal Services	Office Equipment	5	2	(3)	3			3		3	
Office Accommodation	Essential Work to Civic Offices	112	88	(47)	47			66		113	24
Office Accommodation	Civic Offices Atrium works	8	23	(9)	9			9		9	
Office Accommodation	Potential Accommodation Changes		14	(4)	4			4		4	
Office Accommodation	Off-Site Storage Facility	1	0	(1)		1		1		0	
Office Accommodation	Comfort Cooling	50	50	(10)	10			10		10	
Office Accommodation	Works to Committee rooms for Scrutiny meetings	4	4	(4)	4			4		4	
Total Finance, Performance Management and Corporate Support Services		183	156	(270)	172	0	254	115	0	287	64

District Development Fund

Committee / Service	Description	2006/07		Difference	C/Fwd	over	under	2007/08		2008/09		2009/10	
		Original	Revised					Actual	Estimate	Revised	Estimate	Estimate	Estimate
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Public Relations	Improvements to Main Reception Area	31	0	0	0	0	0	31	31	0	0	0	0
Total Customer Services, Media, Communications & ICT		31	0	0	0	0	0	31	31	0	0	0	0
Housing													
Homelessness	Homelessness Prevention Officers	9	9	0	(9)	9	9	9	18	0	0	0	0
Private Sector Housing	Housing strategy and empty homes surveys		30	26	(4)	4	4	4	8	0	0	0	0
Private Sector Housing	Consultancy Private Sector Assistance Policy			0	0	0	10	10	10	0	10	0	10
Private Sector Housing	Handyperson Scheme			0	0	0	3	3	3	0	0	0	0
Total Housing		9	39	26	(13)	13	0	26	39	10	10	0	0
Leisure													
Leisure Management	Alternative Management	513	507	502	(5)	5	5	151	151	0	0	0	0
Community Development	Provision of Portakabin		8	4	(4)	4	7	7	11	0	0	0	0
Walham Abbey S.C.	Provision of Disabled Toilet		10	10	0	0	0	0	0	0	0	0	0
North Weald Airfield	High Voltage Distribution Network 5 yr Programme		5		(5)	0	(50)	(50)	(50)	0	0	0	0
North Weald Airfield	Scouts Jamboree Additional Income			(11)	(11)	11		11	11	0	0	0	0
Roding Valley Development	Maintenance		7	7	0	0	0	0	0	0	0	0	0
Museum	Fisherman's car park maintenance		10	0	(10)	10	10	10	10	0	0	0	0
Community & Culture	Community Venues Outreach Pilot Project		25	5	(20)	0	0	0	0	0	0	0	0
Community & Culture	Beyond Suburbia Rural Regeneration Project		(25)	(5)	(20)	0	0	0	0	0	0	0	0
Community & Culture	Beyond Suburbia Rural Regeneration Project		20	(20)	(20)	20	20	20	20	5	5	0	0
Arts Programme	Additional Projects		(20)	(20)	(20)	0	(20)	(20)	(20)	(5)	(5)	0	0
Arts Programme	Arts Programme		18		0	0	0	0	0	0	0	0	0
Sports Development	Active for Life Programme		18		0	0	0	0	0	0	0	0	0
Sports Development	Active for Life Programme		30	30	(30)	30	30	30	30	0	0	0	0
Sports Development	Additional Projects		(30)	(30)	(30)	30	(30)	(30)	(30)	0	0	0	0
Sports Development	Additional Projects				0	0	0	0	0	0	0	0	0
Total Leisure		523	547	512	(35)	25	0	108	133	0	0	0	0
Environmental Protection													
Waste Management	Recycling Measures	33	33	33	0	0	0	56	56	0	0	0	0
Waste Management	Maintaining waste service whilst procurement undertaken		300	114	(186)	186	186	186	186	0	0	0	0
Waste Management	Revised Refuse/Recycling Contract		0	0	0	0	0	0	0	0	0	0	0
Waste Management	Clear sacks		16	16	0	0	0	0	0	0	0	0	0
Waste Management	Waste Management		(53)	(53)	(53)	0	(56)	(56)	(56)	0	0	0	0
Waste Management	Government Grant		7	7	0	0	0	0	0	0	0	0	0
Waste Management	Countywide Waste Disposal Contract		496	268	(228)	228	228	228	228	0	0	0	0
Waste Management	Contract termination and new contract set up		(25)	(25)	(25)	(25)	(25)	(25)	(25)	0	0	0	0
Waste Management	Trade Waste Account		20	20	0	0	0	0	0	0	0	0	0
Waste Management	Increase in Green waste Contract		195	195	0	0	0	0	0	0	0	0	0
Waste Management	Weekly Collection of Residuals (Summer)		(109)	(109)	(109)	109	109	109	109	0	0	0	0
Waste Management	Recycling Credits		65	50	(15)	15	15	15	15	0	0	0	0
Environmental Health	Birchfield Survey and Clearance				0	0	0	0	0	0	0	0	0
Environmental Health	Pollution Control				0	0	0	0	0	0	0	0	0
Environmental Health	Bobbingworth Tip				0	0	0	0	0	0	0	0	0
Total Environmental Protection		182	1,054	541	(513)	389	0	124	389	4	4	0	1

District Development Fund

Service	2006/07 Original £000	2006/07 Revised £000	2006/07 Actual £000	Over spend £000	Under spend £000	Net £000	Carry Forward £000	2007/08 Original £000	2007/08 Revised £000
People First	40	51	12	0	0	0	39	12	51
Customer Services, Media & IT	0	(100)	(121)	0	0	0	21	0	21
Finance & Performance Management	183	156	(270)	0	(254)	(254)	172	115	287
Corporate Support Services	31	0	0	0	0	0	0	31	31
Housing	9	39	26	0	0	0	13	26	39
Leisure	523	547	512	0	(5)	(5)	25	108	133
Environmental Protection	182	1,054	541	0	(124)	(124)	389	0	389
Planning & Economic Development	545	362	158	5	0	5	209	349	558
Civil Engineering & Maintenance	142	64	59	49	(54)	(5)	0	235	235
Total DDF Expenditure	1,655	2,173	917	54	(437)	(383)	868	876	1,744
Funding Analysis									
Transfer from DDF	1,655	2,173	917					1,567	3,181
Transfer from General Fund								(691)	(1,437)
Total DDF Funding	1,655	2,173	917					876	1,744
DDF Earmarked Reserve									
Balance B/F	2,297	3,007	3,007					1,567	3,181
HRA Transfer in	0							0	0
Commutation adj.	226	0	0					0	0
Highways Residual Cost Re-imbursemer	233	233	233					117	117
L A Business Growth Scheme	200	500	803					200	200
Provision for Carry Forward	0	0	868					0	0
Transfer Out	(1,655)	(2,173)	(1,730)					(876)	(1,744)
Balance C/F	1,301	1,567	3,181					1,008	1,754

Portfolio	Description	C/Fwd £000's	Overspend £000's	Underspend £000's
Leaders				
Corporate Policy Making	Top Man Structure Salary Increases	30	0	0
Local Land Charges	New IT system	9	0	0
Total People First		39	0	0
Community Wellbeing				
Concessionary Fares	County Wide Scheme	21	0	0
Total Community Wellbeing		21	0	0
Finance and Performance Management and Corporate Support Services				
Insurance/Risk Management	Implementation of Risk Management Strategy	(3)	0	0
Office Accommodation	Essential Work to Civic Offices	47	0	0
Industrial Estates	Langston Road Industrial Estate- Development Pr	34	0	0
Investment Income	Extra Interest Income	0	0	152
Unappropriated Land	Consultant's Fees - Dev Potential of Council Car	0	0	1
Housing Benefits/Local Taxation	New Revenues and Benefits system	26	0	0
Housing Benefits	Welfare Reform Start up costs	6	0	0
Housing Benefits	Electronic Document management	15	0	0
Finance Miscellaneous	Finance System Outstanding Commitments	14	0	0
Legal Services	Data capture re Land Terrier	2	0	0
Legal Services	Registration of Unregistered Titles	1	0	0
Human Resources	Recruitment & Retention	0	0	100
Legal Services	Office Equipment	3	0	0
Office Accommodation	Civic Offices Atrium works	9	0	0
Office Accommodation	Potential Accommodation Changes	4	0	0
Office Accommodation	Off-Site Storage Facility	0	0	1
Office Accommodation	Comfort Cooling	10	0	0
Office Accommodation	Works to Committee rooms for Scrutiny meetings	4	0	0
Total Finance, Performance Management and Corporate Support Services		172	0	254
Customer Services, Media, Communications & ICT				
Total Customer Services, Media, Communications & ICT		0	0	0
Housing				
Homelessness	Homelessness Prevention Officers	9	0	0
Private Sector Housing	Housing strategy and empty homes surveys	4	0	0
Total Housing		13	0	0
Leisure				
Leisure Management	Alternative Management	0	0	5
Community Development	Provision of Portakabin	4	0	0
North Weald Airfield	Maintenance	11	0	0
Museum	Community Venues Outreach Pilot Project	10	0	0
Total Leisure		25	0	5
Environmental Protection				
Waste Management	Recycling Measures	0	0	0
Waste Management	Maintaining waste service whilst procurement und	186	0	0
Waste Management	Contract termination and new contract set up	228	0	0
Waste Management	Trade Waste Account	(25)	0	0
Waste Management	Recycling Credits	0	0	109
Environmental Health	Birchfield Survey and Clearance	0	0	15
Total Environmental Protection		389	0	124

Portfolio	Description	C/Fwd	Overspend	Underspend
		£000's	£000's	£000's
Planning & Economic Development				
Forward Planning	High Hedges Legislation - Staffing	(1)	0	0
Planning Services	Planning Delivery Grant 1	2	0	0
Planning Services	Planning Delivery Grant 2	23	0	0
Planning Services	Planning Delivery Grant 3	12	0	0
Planning Services	Planning Delivery Grant 4	49	0	0
Planning Services	Scanning DDF	25	0	0
Development Control	New IT system	48	0	0
Development Control	Agency Staff	0	5	0
Forward Planning	Local Plan Amendment plus temporary Local Plar	51	0	0
Building Control	New IT system	23	0	0
Building Control	New IT system	(23)	0	0
Total Planning & Economic Development		209	5	0
Civil Engineering & Maintenance				
Land Drainage	Remedial Works Principal Ordinary Watercourse	0	0	1
Land Drainage	Senior Engineer (2 Years)	0	49	0
Land Drainage	Reimbursement from Environment Agency	0	0	50
Grounds Maintenance	New IT system	0	0	2
Grounds Maintenance	New IT system (Part funding from HRA)	0	0	(1)
Car Parking	Signage re Free Saturday Parking	0	0	2
Total Civil Engineering & Maintenance		0	49	54
Other Items				358
Total District Development Fund		868	54	795

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Accountants &
business advisers

Epping Forest District Council

Annual Audit and Inspection Plan

May 2007

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APPENDICES

- A Risk Planning Matrix**
- B Communication to Those Charged With Governance**
- C Audit timetable and handover plan**

1 Executive summary

Work scope

- 1.1 The scope of the audit is determined by the Audit Commission's "Code of Audit Practice" (the Code), which covers two key areas – Accounts and Use of Resources. The detailed Code audit approach is unchanged from 2006/07.

Key audit risk areas

- 1.2 These are set out in detail in Appendix A, and are around:
- compliance with the SORP 2007 which requires, amongst other things, introduction of financial instruments disclosures and reconstruction of the Revaluation Reserve
 - mid-year implementation of a new revenues and benefits IT system
 - efficient and effective partnership working in respect of the health inequality agenda. This cross-cutting work is being undertaken across the whole of the East of England, includes involvement of all local government bodies and Primary Care Trusts, and will place participants in a good position leading up to the introduction of area-based assessments, which will replace Comprehensive Performance Assessment (CPA).

Fees

- 1.3 Audit fees have increased by 10% overall, reflecting inclusion of mandated work on Whole of Government Accounts that was excluded from last year's fee, increased fees for data quality and fees in respect of work to address both local and national cross-cutting risks identified this year, as detailed in 1.2 above and Appendix A.
- 1.4 The increase in inspection fee reflects the inclusion of an inspection of the environment service to assess the quality of delivery in accordance with the Council's priorities.

	2006/07	2007/08
Audit	118,230	130,000
Inspection	5,060	13,453
Total audit and inspection	123,290	143,453

Key outputs

- 1.5 The key audit and inspection outputs for Members will be:

Output	Expected timing
Audit and Inspection Plan	May 2007
Use of Resources assessment scores*	December 2007
Report on data quality arrangements and results of risk-based BVPIs audits*	December 2007
Accounts report to those charged with governance (including ISA 260 disclosures)	September 2008
Auditor's Opinion, covering the Statement of Accounts, the Value for Money conclusion and the BVPP	September 2008
Annual Audit and Inspection Letter	December 2008
Direction of Travel statement	March 2009

2 Introduction

- 2.1 This joint audit and inspection plan sets out the audit and inspection work proposed to be undertaken in 2007/08 by PKF and the Audit Commission.
- 2.2 This Plan has been drawn up from our risk based approach to audit planning, handover meetings held with the outgoing Appointed Auditor (who is also the Council's Relationship Manager) and Audit Manager and liaison meetings held with you. It reflects the Audit Commission's elements of the co-ordinated and proportionate audit and inspection programme.
- 2.3 As the audit for 2006/07 has not yet been completed 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. Any significant changes to the Plan will be reported to the Audit Committee.
- 2.4 The Relationship Manager will be responsible for ensuring further integration and co-ordination with the work of other inspectorates.
- 2.5 Set out below are some key details related to the process supporting the preparation of this Plan.

Work of the Auditors

- 2.6 The work of the auditors that is covered by this plan can be summarised as follows:
- review of the core financial systems used in preparing the accounts to 31 March 2008
 - review of the financial accounts prepared for the year ending 31 March 2008
 - review of the BVPP, and supporting BVPIs, as published in June 2007
 - making use of resources judgements against the Audit Commission's Key Lines of Enquiry (KLOEs) for the year ended 31 March 2007
 - work on other use of resources risks affecting the period 1 April 2007 to 31 March 2008.
- 2.7 Some of this work will be undertaken by the Audit Commission, as your outgoing appointed auditor, as it relates to the financial year ending 31 March 2007 and the opinions that they need to give. The table at Appendix C identifies which work will be done by which auditors during this handover period.

Inspection work

- 2.8 This Plan also sets out the inspection work that is proposed by the Audit Commission in 2007/08, which links to your improvement priorities, as summarised under section 5 of this Plan.
- 2.9 Discussions have been, and will continue to be, held between auditors and inspectors to ensure that the audit and inspection work in this Plan continues to be co-ordinated and targeted at your key areas for improvement.

Assessing risks

- 2.10 We are committed to targeting our work where it will have the greatest effect, based upon assessments of risk and performance, and our principal objective as your appointed auditor is to carry out an audit that is both tailored to focus on the specific financial and operational risks you face, as well as meet the requirements of the Code.

- 2.11 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 inspectors and other regulators, and that our work helps you to improve.
- 2.12 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
 - discussions with Council officers
 - liaison with internal audit
 - the results of other review agencies' work, where relevant.
- 2.13 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.

3 Accounts

3.1 The Code requires us to provide an opinion on whether your Statement of Accounts “presents fairly” your financial position, and has been prepared properly, in accordance with relevant legislation and applicable accounting standards.

3.2 In carrying out this work we consider:

- the extent to which your accounting and internal control systems are a reliable basis from which to prepare the Accounts
- the robustness of your Accounts preparation processes.

3.3 We also undertake analytical procedures, test transactions and balances and consider the adequacy of the disclosures in your Accounts.

Internal controls and key financial systems

3.4 International Standards in Auditing (UK and Ireland) require auditors to obtain a detailed understanding of an organisation, its environment, risk assessment processes, the information systems, internal controls, and monitoring activities. This must be sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and be sufficiently well documented to enable the auditor to design and perform further audit procedures based on identified risks.

3.5 This requires additional work to be undertaken to identify and understand the internal controls, evaluate the design of the control and determine whether it has been implemented. The evaluation of the design of a control involves considering whether it, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements.

3.6 Where the audit intends to rely on identified controls to reduce risk, or the level of substantive testing otherwise required, the auditor must also undertake tests of the operating effectiveness of the relevant controls. The core financial systems upon which the accounts are based will therefore require additional testing and review in order to arrive at our opinion on the Statement of Accounts.

Working with Internal Audit

3.7 The Audit Commission expects that appointed auditors and Internal Audit departments have been working together to ensure that audit work is most effectively targeted in well-managed authorities, thereby minimising duplication and the overall level of audit resource input.

3.8 We have planned the 2007/08 audit on the basis that we will be able to place full reliance on the work of Internal Audit. This assumption is based upon preliminary discussions with your current auditors in respect of arrangements for 2006/07, consideration of the Statement on Internal Control in your 2005/06 accounts, review of Internal Audit’s 2007/08 Audit Plan and liaison with your Chief Internal Auditor.

Fraud risk assessment

3.9 Under ISA240 we have a responsibility to consider specifically the potential risk of material misstatement of your Statement of Accounts as a result of fraud and error, including the risk of fraudulent financial reporting.

3.10 The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect fraud and corrupt practices lies with management and “those charged with governance”.

- 3.11 In order to identify the fraud risks, and the controls you have put in place on which we will seek to place reliance to mitigate those risks, we will:
- discuss your anti fraud and corruption arrangements with officers and “those charged with governance”
 - consider the extent to which the work of Internal Audit is designed to detect material misstatements in the Accounts arising through fraud
 - make inquiries regarding instances of actual fraud you have identified
 - consider any material unusual or unexpected relationships that have been identified in performing analytical procedures.

- 3.12 For all residual fraud risks, and for any actual frauds that have been identified and of which we have been informed, we will consider the possible impact on your Accounts and our audit strategy.

Accounts preparation

- 3.13 We will consider the adequacy of your arrangements for closing down the ledger and producing an accurate, timely and comprehensive Statement of Accounts and supporting working papers. We will provide officers with a detailed list of schedules and working papers required for the audit.

Statement on Internal Control

- 3.14 We will review your Statement on Internal Control to assess whether it has been presented in accordance with guidance, is adequately supported by an assurance framework, that an effectiveness review has been completed, and it is consistent, complete and not misleading based on our overall knowledge.

Whole of Government Accounts

- 3.15 As part of the WGA process we are required to review and report on the consolidation pack you have prepared for submission. The actual procedures to be performed have been developed by the Audit Commission in discussion with the National Audit Office and for Band 2 authorities, of which you are one, focuses on ensuring consistency between the audited accounts and the consolidation pack, and the agreement of balances with other bodies.

Key accounts risks

- 3.16 We have not included a detailed risk assessment for our audit of the financial statements as the specific risks may not become apparent until after completion of the 2006/07 audit. If necessary we will issue a separate update to this audit plan in November 2007, for risks arising from the audit of the financial statements. However, at this stage we are aware of the following risks, more detail of which are included in Appendix A, that are likely to impact on our audit of the financial statements:
- compliance with the SORP 2007 which requires, amongst other things, introduction of financial instruments disclosures and reconstruction of the Revaluation Reserve
 - mid-year implementation of a new revenues and benefits IT system.

Emerging issues

- 3.17 In addition there are some emerging issues that we intend to maintain an ongoing review of during the course of the year. These are currently not significant issues, although they may become so as changes in circumstances arise, and include the following:
- As announced by the Chancellor in the recent Budget Speech, annual financial statements of public sector bodies from 2008/09 will need to be prepared in accordance with International Financial Reporting Standards (IFRS) adapted for the public sector. Where this results in material changes to accounting policies a restatement of 2007/08 comparatives will be required and this increases the risk of material error or misstatement in the accounts.

4 Use of Resources

4.1 The Code requires us to:

- be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money conclusion)
- be satisfied that there are adequate arrangements in place for collecting, recording and publishing performance information
- audit your best value performance plan.

Value for money conclusion

4.2 In reaching the value for money conclusion the Code requires auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission.

4.3 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.

4.4 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of Resources assessment

4.5 The use of resources assessment continues to focus 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.

4.6 A score of 1 to 4 will be given, based on underlying key lines of enquiry, for each of the following themes:

Theme	Description
Financial reporting	Preparation of financial statements External reporting
Financial management	Medium-term financial strategy Budget monitoring Asset management
Financial standing	Managing spending within available resources
Internal control	Risk management System of internal control Probity and propriety
Value for money	Achieving value for money Managing and improving value for money

4.7 There have been a number of modifications to the KLOE, with several of the non-bold criteria now becoming bold (and assuming "must have" status), and these changes may have an impact on the scores for each of the themes above, as well as the overall assessment score for the Council.

4.8 In addition, in order to better align the timetable for use of resources assessments with financial years, the Audit Commission has specified that, as part of their 2007/08 Plans, auditors will complete an updated assessment for the full year to 31 March 2007. The assessment will focus on the progress made since the last review, undertaken in late 2006/early 2007, as well as the changes to specific KLOE criteria.

- 4.9 As a result of the timetable changes, the work required to arrive at the use of resources judgements will now be fully aligned with that required to arrive at the auditor's value for money conclusion. Consequently, it is proposed that the outgoing auditors perform and report this work, as shown at Appendix C, as it will support their value for money conclusion for the year ended 31 March 2007.
- 4.10 Details of the scores and judgements will be reported to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services. 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.

Best Value Performance Information – Data Quality

- 4.11 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 – review of overall management arrangements to secure data quality
 - Stage 2 – completeness check of reported performance information
 - Stage 3 – data quality spot check and in-depth review of specified performance indicators.
- 4.12 The work at stage 1 will link to the 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. It is expected that between 1 and 4 indicators will be subject to in-depth review for a District Council.
- 4.13 The scope of this work will take account of the findings of the outgoing auditor from their review of last year's performance indicators, which noted that the findings of both Internal Audit and External Audit consistently showed that there were still cases of incomplete audit trails for performance indicators and the definition of the performance indicators was not always interpreted correctly. The work will also review the improvements that the Council has implemented to data quality arrangements during 2006/07 and the extent to which these have fed through to performance indicators.
- 4.14 Due to the need for the outgoing auditors to place reliance on the results of stage 1 of this work when assessing their value for money conclusion, it is proposed that the outgoing auditor performs this work, as set out in Appendix C.

Best Value Performance Plans (BVPPs)

- 4.15 We will consider and report on whether you have complied with statutory requirements in respect of the preparation and publication of your BVPP, including specified performance information and associated targets.

Key use of resources risks

- 4.16 We have included in Appendix A our assessment of the risks relevant to our Use of Resources audit work and our planned response to those risks. The key risk is around effective 'economy-wide' partnership working in respect of the health inequality agenda.

Emerging issues

- 4.17 In addition there are some emerging issues that we intend to maintain an ongoing review of during the course of the year. These are currently not significant issues, although they may become so as changes in circumstances arise, and include the following:
- The Council are to undertake a review and restructure of its senior management. This is expected to be done toward the end of 2007/08. There is a risk that the restructure will have an adverse impact on the Council's capacity to effectively deliver against its objectives and appropriately control its use of resources.

5 Audit Commission CPA and Inspection

- 5.1 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.
- 5.2 We have applied the principles set out in the CPA framework, *CPA – district council framework from 2006*, recognising the key strengths and areas for improvement in the Council's performance.
- 5.3 On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08 as follows.

Inspection activity	Reason/Impact
Relationship Manager (RM) role	To act as the Audit Commission's primary point of contact with the Council and the interface at the local level between the Audit 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 statement will be reported in the annual audit and inspection letter. The DoT assessment summary will be published on the Audit Commission's website.
Environment Inspection	An inspection of the environment service to assess the quality of delivery in accordance with the Council's priorities. This will be carried out in two parts. The first, to assess the current position, would be carried out early in 2007/08 whilst the second would be carried out later in 2007/08, which would allow for time after the planned appointment of a new waste contractor from 1 November 2007.

- 5.4 This work has been agreed in full consultation with other regulators to ensure that work programmes are co-ordinated and proportionate.

6 Grant Claims

- 6.1 As agents of the Audit Commission we are required to express an opinion on certain grant claims submitted by the Council. There are de-minimis arrangements in place for the certification of claims, which are:
- amounts below £100,000 will not be certified
 - amounts between £100,000 and £500,000 will be subjected to limited audit testing to agree form entries to underlying records, but the eligibility of expenditure will not be tested
 - amounts over £500,000 will be audited in accordance with the outcome of a control environment risk assessment.
- 6.2 The dates for completion of this work are laid down by the Government Departments to which the claims are submitted. We will liaise with the relevant Council Officers to ensure we complete our work within the given timetable.
- 6.3 As this work will be on certification of grant claims for the year ending 31 March 2007, some of which will link directly to the accounts opinion for the same period, it is proposed that it will be completed by your outgoing auditor as set out in Appendix C.

7 Fees and Audit Arrangements

Fees

- 7.1 As for previous years, the guideline for fee levels applicable to audited bodies remains a formula-based calculation that is adjusted to reflect the agreed scope of work applicable to local circumstances and risk profile. For audit, the calculation is based on the minimum amount of work required under the risk based audit approach outlined in the Code.

Audit

- 7.2 The audit fee, excluding grants and challenge work, for the period from April 2007 to March 2008 will be £130,000 plus VAT. The fee is based on our understanding of audit requirements at the time of drafting this Plan.

Inspection

- 7.3 The total fee estimate for the 2007/08 programme of inspection work, net of central government grant, is £13,453. The fee is based on the Audit Commission's fee guidance contained within its operational plan and reflects the Council's comprehensive performance assessment (CPA) overall score of 'good'.

Analysis

- 7.4 An analysis of the fee by audit area is shown below.

Work area	2006/07 Fee £	2007/08 Fee £
Code of Audit Practice		
Accounts – core audit	90,890	66,110
Accounts – WGA	**-	1,950
Accounts – specific risks	-	3,780
Subtotal accounts	90,890	71,840
Use of Resources – KLOE	*-	13,810***
Use of Resources – Data quality	*-	9,720***
Use of Resources – BVPP	*-	2,500
Use of Resources - Other	*-	2,757
Use of Resources – specific risks	*-	3,820
Subtotal Use of Resources	27,340	32,607
Planning & Reporting	*-	25,553
Subtotal Audit	118,230	130,000
Inspection	5,060	13,453***
Total audit and inspection	123,290	143,453

*- not separately disclosed in 2006/07 Audit Plan

** - not included in the 2006/07 fee

*** - to be completed and billed directly by the Audit Commission

- 7.5 As noted in paragraphs 4.9 and 4.13, the work on the update to the KLOE scores and data quality will be completed by the Audit Commission as your outgoing auditor, and as such subject to a separate billing arrangement with them. We have included the fee for this work here to allow for a comparison to the prior year of both the overall fee and its accounts and use of resources sub components.
- 7.6 The detailed sub-analysis above is provisional and based on our current estimations of the risks and the impact of changes to requirements in 2007/08.

Grants

- 7.7 The fee for the review of grant claims will be billed separately based on the Audit Commission's grade related rates as set out in their publication "Work Programme and Fee Scales 2007/08".
- 7.8 We have discussed the arrangements for completing the work on the 2007 claims with your outgoing auditor. In line with the guidance from the Audit Commission, this work will be completed by your outgoing auditor. It is anticipated that their fee for the 2007 claims will be approximately £50,000.

Questions and Objections

- 7.9 Time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

Assumptions

- 7.10 The fees detailed above are based on the following assumptions:
- Internal Audit will have completed their systems testing in accordance with their plans and to an adequate standard.
 - Internal Audit will have completed a review of the controls over implementation of the new revenues and benefits system and the migration and reconciliation of data between the old and new systems.
 - you will keep us informed of any significant changes to your main financial systems or procedures.
 - you will provide a comprehensive, good quality set of working papers and records to support the accounts, performance indicators and grant claims prior to the commencement of the audit and there will be no fundamental problems with them.
 - you will ensure that action plans are completed promptly and the implementation of recommendations by the due date is actively monitored.
 - there are no major changes to the content of government department grant instructions.
 - you will prepare your grant claims in accordance with the Audit Commission's "Statement of responsibilities of grant paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns".

Process for agreeing changes to fees

- 7.11 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 Head of Finance. We will then prepare a paper outlining the reasons why the fee needs to change, for discussion with the Audit committee.

Billing Arrangements

7.12 The audit fee will be billed in 4 instalments as follows:

Month	£
June 2007	26,600
September 2007	26,600
December 2007	26,600
March 2008	26,670
Total	106,470

7.13 The above fee excludes the following which are payable directly to the Audit Commission:

- £23,530 in respect of the work on the KLOE and BVPI data quality which, as noted in paragraphs 4.9 and 4.13, they are completing
- £13,453 inspection fees.

7.14 Inspection and grant claims work will also be billed separately by the Audit Commission. All grants work will be billed on the basis of the hours incurred and necessary staff grades used as the work progresses.

Staffing

7.15 The following staff will be involved in the audit throughout the course of the year:

Audit Staff		
Partner	Richard Bint	Email: richard.bint@uk.pkf.com Tel: 020 7065 0497
Director	Lisa Clampin	Email: lisa.clampin@uk.pkf.com Tel: 01473 320716
Supervisor	Georgina Woolmore	Email: georgina.woolmore@uk.pkf.com Tel: 01473 320714
Other Team Members	Clare Beesley Liana Hine Robert Selvage	

Inspection Staff		
Relationship Manager	Paul King	Email: paul-king@audit-commission.gov.uk Tel: 01438 351570
Inspector	To be confirmed	Email: To be confirmed Tel: To be confirmed

Timetable

- 7.16 The following table shows the key audit and inspection outputs for the period covered by this Plan:

Output	Expected timing
Audit and Inspection Plan	May 2007
Use of Resources assessment scores*	December 2007
Report on data quality arrangements and results of risk-based BVPIs audits*	December 2007
Accounts report to those charged with governance (including ISA 260 disclosures)	September 2008
Auditor's Opinion, covering the Statement of Accounts, the Value for Money conclusion and the BVPP	September 2008
Annual Audit and Inspection Letter	December 2008
Direction of Travel statement	March 2009

* - To be completed by the Audit Commission

- 7.17 We will agree specific dates for our visits with officers, in advance of each part of our programme, and we will work closely with officers during the year to ensure that all key deadlines are met. We will also meet regularly with senior officers, to discuss progress on the audit and obtain an update on relevant issues.

Independence

- 7.18 International Standard on Auditing 260 ("ISA260") requires auditors to communicate relevant matters relating to the audit to "those charged with governance". Relevant matters include issues on auditor independence, audit planning information and findings from the audit.
- 7.19 We have included in Appendix B to this Plan a statement to the Audit and Governance Committee setting out the Audit Commission's objectivity and independence guidelines and giving our confirmation that we have complied with those guidelines.
- 7.20 Following our audit of the Statement of Accounts we will report to the Audit and Governance Committee on the findings from our audit.

Quality of Service

- 7.21 We aim to provide a high quality of service to you at all times. If, for any reason or at any time, you would like to discuss how we might improve the service, or if you are in any way dissatisfied, please contact Richard Bint in the first instance. Alternatively, you may wish to contact our Managing Partner, Martin Goodchild. Any complaint will be investigated carefully and promptly.
- 7.22 If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").
- 7.23 If you have a complaint to make with regard to inspection activity please contact Paul King, the Audit Commission Relationship Manager, in the first instance.
- 7.24 In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain. What to do if you wish to complain about the Audit Commission or one of its Appointed Auditors" that is available on request.

Appendix A Risk Assessment Matrix

Audit risk identified from planning	Mitigating factors	Residual audit risk	Audit response to residual audit risk
Accounts – national risks			
<p>1</p> <p>The 2007 SORP has included a number of additional items that need to be considered, i.e., the creation of a GAAP-compliant Revaluation Reserve to replace the Fixed Asset Restatement Account.</p> <p>There is a risk that the accounts will be materially misstated if preparation for the introduction of the new SORP requirements is not timely and/or robust.</p>	<p>The finance department should have adapted practices to take into account SORP requirements during the 06/07 period.</p>	<p>There nevertheless remains a residual risk that issues will not be appropriately addressed.</p> <p>Significance – Medium</p>	<p>We will agree with officers the necessary amendments to the accounts preparation processes and reporting format, and undertake detailed audit procedures on those transactions and balances subject to amendment as a result of the SORP 2007.</p>
Accounts – local risks			
<p>2</p> <p>The Council are planning mid-year implementation of a new revenues and benefits IT system.</p> <p>There is a risk of material misstatement of both the accounts and grant claims in respect of National Non Domestic Rates (NNDR) and Housing & Council Tax benefits, if the migration of data between systems is not adequately controlled.</p>	<p>A working group has been established to monitor the implementation of the new software. In addition, Internal Audit plan to complete a review of the controls over data migration and reconciliation between the two systems.</p> <p>The timetable for implementation has not yet been finalised and it is possible that the system will only be partly implemented during 2007/08, starting with NNDR.</p>	<p>There remains a residual risk that system implementation will result in material misstatement of the accounts and grant claims due to loss of data, inaccurate migration or inability to reconcile.</p> <p>Significance – Medium</p>	<p>As part of our systems work we will review the work completed by Internal Audit and assess the level of assurance we can obtain from it regarding the satisfactory migration and reconciliation of data.</p> <p>Additional work will be required on grant claim certification, the level of which will depend upon the data migration methodology employed, but could include two stage audit testing and review and consolidation of dual grant claims. The impact of this additional grant claims work will not be reflected in this audit plan as fees for claims ending 31 March 2008 will be included in the 2008/09 Audit and Inspection Plan.</p>

	Audit risk identified from planning	Mitigating factors	Residual audit risk	Audit response to residual audit risk
Use of Resources – national risks (cross cutting)				
3	<p>There is patchy delivery against the health inequalities agenda giving rise to local risks around its effective delivery, across local government and NHS bodies, at both an East of England and Essex County level.</p> <p>Partnership working arrangements may be ineffective, under-developed or not yet operational, increasing the risk of inefficient or ineffective use of resources and poor value for money.</p>	<p>The Council has established partnership arrangements in place with joint working across the health and voluntary sector, although there have been recent reorganisations within the NHS and mergers of PCTs in the locality.</p>	<p>There remains a risk that current partnership arrangements may not be sufficiently effective or appropriately scoped to deliver the health inequality agenda.</p> <p>This could have an adverse impact on Comprehensive Area Assessments and Use of Resources assessments in future years.</p> <p>Significance – Medium VFM opinion criteria: 1/2/3/7 KLOE: 5.1/5.2</p>	<p>Participate in the cross-cutting work on health inequalities across Essex (and the East of England) which will include health bodies and other local authorities.</p>

Appendix B

Disclosure under ISA 260 (Communication of audit matters to those charged with governance)

To: Audit and Governance Committee, Epping Forest District Council

Auditors appointed by the Audit Commission are subject to the *Code of Audit Practice* (the Code) which includes the requirement to comply with International Standards on Auditing (ISA) when auditing the financial statements. ISA 260 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 ISA defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In the case of Epping Forest District Council it has been agreed that the appropriate addressee of communications from the auditor to those charged with governance is the Audit and Governance Committee. The auditor reserves the right, however, to communicate directly with the board/authority 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 £30,000 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 Partner and the second in command (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 Audit Partner in respect of each audited body
- the Commission must be notified of any change of second in command within one month of making the change. Where a new Partner 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.

Statement by the Appointed Auditor

In relation to the audit of the financial statements for Epping Forest District Council for the financial year ending 31 March 2008, we are able to confirm that the Commission's requirements in relation to independence and objectivity, outlined above, have been complied with.

Under the requirements of ISA 260, we are not aware of any relationships that may bear on the independence and objectivity of the audit engagement partner and audit staff which are required to be disclosed.

In respect of these relationships, in our professional judgement, the firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

Statement by the Relationship Manager

I am not aware of any relationships that may affect the independence and objectivity of the Inspectors who will work with you.

Appendix C: Audit timetable and handover plan

	2006/07 financial year (AC)			2007/08 financial year (PKF)												2008/09 financial year (PKF)									
	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	
2006/07 audit plan			Interim work on 2006/07 a/cs (systems)		Report results of 06/07 audit		Final work on 2006/07 accounts		Report results of 06/07 audit																
			Initial 2007/08 audit planning				Data quality review of 2006/07 indicators		Update 2007/08 audit planning																
2007/08 audit plan (PKF)							Review of BVPPP published 30 June 07																		
							KLOE Refresh for y/e 31 March 2007																		
							Ongoing use of resources reviews where work is applicable																		
2008/09 audit plan (PKF)																									

- Financial year 2006/07
- Audit work for 2006/07 - to be completed by Audit Commission
- Financial year 2007/08
- Audit work for 2007/08 Audit Plan - to be completed by PKF as incoming auditor
- Audit work for 2007/08 Audit Plan - to be completed by Audit Commission
- Financial year 2008/09
- Audit work for 2008/09 - to be completed by PKF

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