

Annual Governance Report

July 2006



Annual governance report

Epping Forest District Council

Audit 2005/06

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 to the Authority

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 or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2006

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

| | |
|--|-----------|
| Purpose of this report | 4 |
| Scope of the report | 4 |
| Key messages | 6 |
| Financial statements | 6 |
| Use of resources | 6 |
| Financial statements | 7 |
| Status of the audit | 7 |
| Matters to be reported to the Committee | 7 |
| Next steps | 11 |
| Use of resources | 12 |
| Value for money conclusion | 12 |
| Use of auditors' statutory powers | 15 |
| Closing remarks | 16 |
| Appendix 1 – Audit responsibilities and approach | 17 |
| Audit objectives | 17 |
| Approach to the audit of the financial statements | 18 |
| Approach to audit of arrangements to secure value for money | 18 |
| Appendix 2 – Audit reports issued | 21 |
| Appendix 3 – Fee information | 22 |
| Appendix 4 – The Audit Commission's requirements in respect of independence and objectivity | 23 |
| Appendix 5 – Independent auditor's report to the Members of Epping Forest District Council | 24 |
| Respective responsibilities of the Chief Finance Officer and auditors | 24 |
| Basis of audit opinion | 25 |
| Opinion | 25 |
| Appendix 6 – Letter of representation (draft) | 28 |
| Appendix 7 – Action Plan | 31 |

Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Authority's Finance and Performance Management Cabinet Committee (the Committee) is considered to fulfil the role of those charged with governance and references to the Committee should be read as such.
- 2 We are also required by professional auditing standards to report to the Committee certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
 - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Committee;
 - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
 - to provide the Committee with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
 - the Authority's financial statements; and
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the Relationship Manager Letter later in the year.

- 8** We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

Key messages

Financial statements

- 9 Our work on the financial statements is now substantially complete, although there are still some outstanding issues to be resolved. In particular, our work on the pension fund has yet to be concluded. Should any further matters arise in concluding the outstanding work that require reporting, we will raise them with the Chair of this committee. The standard of the draft accounts and supporting working papers was a significant improvement on the previous year.
- 10 Subject to the satisfactory conclusion of the work outstanding, we anticipate being able to issue an unqualified opinion by 30 September 2006 (a draft report is attached at Appendix 5).

Use of resources

- 11 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue a qualified conclusion on the use of resources by 30 September 2006 (a draft report is attached at Appendix 5). The opinion will be qualified because the arrangements in place to manage the Council's significant business risks during 2005/06 and the arrangements to manage and improve value for money at that time were assessed as not meeting the relevant value for money criteria. This was reported to the Council in April 2006 in the Use of Resources report.

Financial statements

- 12 We are required to give an opinion on whether the Authority's financial statements present fairly:
- the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Status of the audit

- 13 Our work on the financial statements is now substantially complete, although there are still some outstanding issues to be resolved. In particular, our work on the pension fund has yet to be concluded. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Chair of this committee (or alternative arrangements as appropriate). The standard of the draft accounts and supporting working papers was a significant improvement on the previous year.

Matters to be reported to the Committee

- 14 We have the following matters to draw to the Committee's attention.

Expected modifications to the auditor's report

- 15 On the basis of our audit work, subject to the satisfactory conclusion of any work outstanding reported above, we currently propose to issue an unqualified audit report. A draft audit report is attached at Appendix 5.

Uncorrected misstatements

There are no uncorrected non-trivial misstatements.

Adjusted misstatements

- 16 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. We therefore draw your attention to the material and significant misstatement that management has adjusted in Table 1 below. A complete listing of all amendments has been provided to officers.

Table 1 Adjusted misstatements in the financial statements

Details of the material adjustment made to the financial statements

| Issue | Value of misstatement £ | Impact on surplus/(deficit) |
|-------------------------------|----------------------------|-----------------------------|
| Omission of the March pension | £2,336,000 | £0 |

| Issue | Value of misstatement £ | Impact on surplus/(deficit) |
|--|----------------------------|-----------------------------|
| <p>fund gain from the actuarial valuation of the fund. This moves the position from an actuarial loss for the year of £1,121,000 to an actuarial gain for the year of £1,215,000 and reduces the pension liability on the balance sheet and the negative pension reserve from £37,389,000 to £35,053,000 with corresponding amendments to relevant notes to the balance sheet. There are also consequential changes to the Statement of Total Movements in Reserves.</p> <p>The initial figures were provided by Essex County Council (ECC) based on the actuarial valuation supplied by the ECC's actuary. Epping Forest District Council was notified of the error by ECC at the beginning of September.</p> | | |

Qualitative aspects of accounting practices and financial reporting

- 17 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We wish to report the following matters to you:
- the Council's bank reconciliations and reconciliations of feeder systems to the ledger are not prepared monthly and were not all available at the start of the audit.

Material weaknesses in internal control identified during the audit

- 18 Our audit did not identify material weaknesses in systems of accounting and financial control which we should report to you.

- 19 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

Matters specifically required by other auditing standards

- 20 Other auditing standards require us to communicate with you in other specific circumstances including:
- where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.

There were some instances of non material fraud which were detected by the Council during 2005/06. These were dealt with appropriately by the Council and this Committee has been kept informed on the outcome of the investigations.

Any other matters of governance interest

- 21 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 2 below.

Table 2 Other matters of governance interest

There are a number of other matters that we would like to bring to the attention of those charged with governance

| Area | Auditor responsibility | Impact |
|--|--|---|
| Statement of internal control (SIC) | The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements. | The SIC was compliant with CIPFA guidance and consistent with our knowledge of the Council. |
| Whole of Government Accounts' consolidation pack | The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements. | This work has not been completed at this stage. |
| The tender process for the new Leisure Contract. | The auditor reviews the Council's Control Environment including arrangements to ensure compliance with relevant legislation. | The Standing Order which prevents the amendment to tenders once received was waived but this was not reported to the Council as it is required to be. The post tender award |

| Area | Auditor responsibility | Impact |
|------|------------------------|---|
| | | notification for the leisure contract was not advertised in accordance with EU legislation although there is some doubt over the interpretation of this requirement. The Council is addressing both these points retrospectively. |

Letter of representation

- 22 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6 although the Council is welcome to include additional text.

Next steps

- 23 We are drawing these matters to the Committee's attention so that:
- you can consider them before the financial statements are approved and certified;
 - the representation letter can be signed on behalf of the Authority and those charged with governance before we issue our opinion on the financial statements; and

Use of resources

Value for money conclusion

- 24 The Code requires us to reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). In meeting this responsibility, we will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money.
- 25 It is important to note that the value for money conclusion relates to the embedded arrangements that the Council had in place for securing economy, efficiency and effectiveness in its use of resources for the financial year ended 31 March 2006. Therefore assurances and evidence supporting the conclusion relate to this period - processes in place after 31 March 2006 will not count as evidence. The criteria specified in the Code are listed within Appendix 1.
- 26 On the basis of our audit work, we currently propose to issue a report including a value for money conclusion qualified on the grounds that:
- the Council had not put in place adequate arrangements to manage its significant business risks; and
 - the Council had not put in place adequate arrangements to manage and improve value for money..
- 27 The key findings from our work on the use of resources criteria are summarised below.

Strategic objectives

- 28 The Council has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.

Consultation

- 29 The Council has put in channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.

Performance management

- 30 The Council has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting members.

Data Quality

- 31 The Council has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.

Internal control

- 32 The Council has put in place arrangements to maintain a sound system of internal control.

Risk management

- 33 During 2005/06 the Council had inadequate arrangements in place to manage its significant business risks. This was highlighted in the Use of Resources report issued to the Council in April 2006. Since that time the Council has adopted a new Risk Management Strategy and Policy and a Corporate Risk Register has been approved.

Improving value for money

- 34 During 2005/06 the Council had inadequate arrangements in place to manage and improve value for money. Again this was highlighted to the Council in the Use of Resources report issued to the Council in April 2006.

Financial Strategy

- 35 The Council has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.

Budget setting and monitoring

- 36 The Council has put in place arrangements to ensure that its spending matches its available resources.

Budget Management

- 37 The Council has put in place arrangements to manage performance against budgets.

Asset management

- 38 The Council has put in arrangements for the management of its asset base.

Probity

- 39 The Council has put in place arrangements to promote and ensure probity and propriety in the conduct of its business.

Recommendations

R1 The Council should ensure that the improvements to the arrangements for risk management already made are maintained and become embedded in Council processes.

R2 The Council should ensure that the areas for improvement already identified for value for money are addressed during 2006/07. The Council should:

- implement performance systems which contribute to improvements in economy, efficiency and effectiveness of service delivery;
- establish, implement and monitor targets for the improvement of value for money at corporate and service levels;
- continue work to develop a three-year efficiency statement in line with Gershon principles and monitor progress at regular intervals;
- develop and implement the draft external funding strategy to ensure sustainable and cost effective use of external resources; and
- continue to develop the strategic procurement function, processes and controls so that a robust approach is embedded across the Council.

Use of auditors' statutory powers

- 40 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 3 below.

Table 3 Use of statutory powers

| Issue | Auditor responsibility | Impact |
|----------------------------|--|--|
| Section 8 reports | Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public. | There have been no section 8 reports in respect of the financial year 2005/2006. |
| Section 11 recommendations | To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly. | There have been no s11 recommendations. |
| Best value | To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act. | Our work in respect of the Authority's 2005/2006 Best Value Performance Plan (BVPP) was reported in the 2005 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State. |

Closing remarks

- 41 This report has been discussed with the Head of Finance and Joint Chief Executive (Resources). A copy of the report will be presented at the Finance and Performance Management Cabinet Committee on 25 September 2006.
- 42 The report makes two recommendations. An action plan to be completed is included at Appendix 7.
- 43 I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation during the audit.

Paul King

District Auditor

September 2006

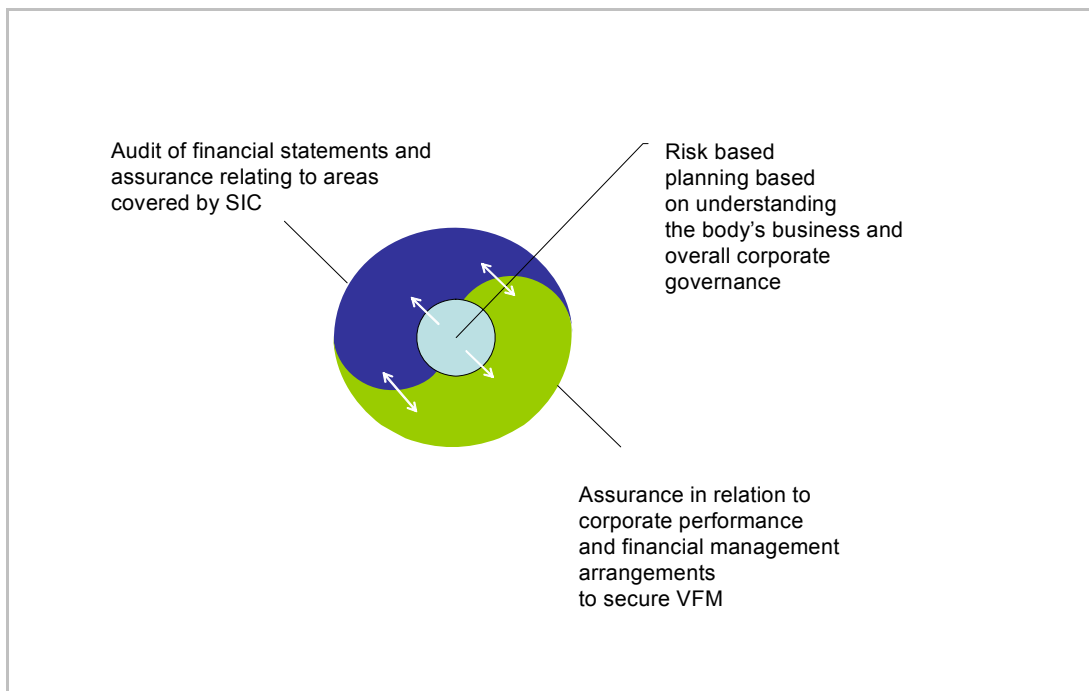
Appendix 1 – Audit responsibilities and approach

Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Approach to the audit of the financial statements

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
 - the standard of the overall control environment and internal controls;
 - reliance on internal audit;
 - the likelihood of material misstatement occurring from a material information system; or a material error failing to be detected by internal controls;
 - any changes in financial reporting requirements; and
 - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements. The keys risks that we identified include:
 - the 2004/05 financial statements included errors which we assessed to be material;
 - the working papers provided to support the 2004/05 accounts were incomplete; and
 - some control weakness were identified by internal audit and our interim testing during 2005/06.

Approach to audit of arrangements to secure value for money

- 4 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
 - corporate performance management; and
 - financial management arrangements.
- 5 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

Table 4 Value for Money conclusion criteria

| Criteria |
|---|
| 1. The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives. |
| 2. The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account. |
| 3. The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members. |
| 4. The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members. |
| 5. The body has put in place arrangements to maintain a sound system of internal control. |
| 6. The body has put in place arrangements to manage its significant business risks. |
| 7. The body has put in place arrangements to manage and improve value for money. |
| 8. The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities. |
| 9. The body has put in place arrangements to ensure that its spending matches its available resources. |
| 10. The body has put in place arrangements for managing performance against budgets. |
| 11. The body has put in place arrangements for the management of its asset base. |
| 12. The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business. |

- 6 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 7 The potential sources of assurance when reaching the value for money conclusion include:
 - the Authority's whole system of internal control as reported in its statement on internal control;
 - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc.;
 - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
 - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
 - other work necessary to discharge our responsibilities.

Appendix 2 – Audit reports issued

Table 5

| Planned output | Planned date of issue | Actual date of issue | Addressee |
|---------------------------------|------------------------------|-----------------------------|--|
| Audit and inspection plan | March 2005 | April 2005 | Finance and Performance Management Cabinet Committee |
| Interim audit memorandum | July 2006 | September 2006 (tbc) | Management |
| Annual governance report | September 2006 | September 2006 | Finance and Performance Management Cabinet Committee |
| Opinion on financial statements | September 2006 | September 2006 (tbc) | The Authority |
| Value for money conclusion | September 2006 | September 2006 (tbc) | The Authority |
| Final accounts memorandum | October 2006 | October 2006 (tbc) | Management |
| Use of resources assessments | March 2006 | April 2006 | Management |
| BVPP report | October 2006 | October 2006 (tbc) | The Authority |

Appendix 3 – Fee information

Table 6

| Fee estimate | Plan 2005/06 | Actual 2005/06 |
|-----------------------------|---------------------|-----------------------|
| Audit | | |
| Accounts | £86,700 | £86,700 |
| Use of resources | £31,700 | £31,700 |
| Total audit fees** | £118,400 | £118,400 |
| Voluntary improvement work* | £10,400 | £0 |

* The 2005/06 Audit Plan included the Audit Commission/ Ethical Standards Board ethical governance audit tool but the Council subsequently decided not to go ahead with this.

** The outturn on inspection and grant certification fees will be reported in the Relationship Manager Letter

Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1** We are required by the standard to communicate following matters to the Audit Committee:
 - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2** We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

Appendix 5 – Independent auditor’s report to the Members of Epping Forest District Council

Opinion on the financial statements

- 3 I have audited the financial statements of Epping Forest District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.
- 4 This report is made solely to Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

- 5 The Chief Finance Officer’s responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.
- 6 My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 7 I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

- 8 I review whether the statement on internal control reflects compliance with CIPFA’s guidance ‘The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003’ published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures
- 9 I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

- 10 I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.
- 11 I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

- 12 In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 200X, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Paul King

District Auditor
Audit Commission
Springvale Court
Hadleigh Road
Sproughton
Ipswich
Suffolk
IP8 3AS
[Date]

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

- 13 The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.
- 14 Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor’s Responsibilities

- 15 I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for (principal local authorities/other local government bodies). I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
- 16 I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority’s best value performance plan and issue a report:
 - certifying that I have done so;
 - stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and

- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

- 17** I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Epping Forest District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except for the failure to put in place arrangements to manage its significant business risks and the failure to put in place arrangements to manage and improve value for money.

Best Value Performance Plan

- 18** I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2005/06 on 5 December 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

- 19** I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King
District Auditor
Audit Commission
Springvale Court
Hadleigh Road
Sproughton
Ipswich
Suffolk
IP8 3AS
[Date]

Appendix 6 – Letter of representation (draft)

Paul King
District Auditor
The Audit Commission
1st Floor & 2nd Floor, Sheffield House
Lytton Way
Stevenage

Epping Forest District Council - Audit for the year ended 31 March 2006

- 20 I confirm to the best of my knowledge and belief, having made appropriate enquiries of other appropriate officers of the Authority, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2006.
- 21 I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.
- 22 The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations:

- the Council has reviewed the appropriateness of the pension fund figures provided by Essex County Council in relation to FRS 17
- 23 All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Member meetings, have been made available to you.

Accounting Policies

- 24 In accordance with FRS 18 the Council has reviewed its accounting policies and made appropriate changes in line with current guidance and regulations.

Related party transactions

- 25 I confirm the completeness of the information provided regarding the identification of related parties.
- 26 The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Contingent liabilities

- 27 There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:
- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and,
 - there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
 - no financial guarantees have been given to third parties.

Law, regulations and codes of practice

- 28 There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

Irregularities

- 29 I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.
- 30 There have been no:
- irregularities involving management or employees who have significant roles in the system of internal accounting control;
 - irregularities involving other employees that could have a material effect on the financial statements;
 - communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

- 31 Since the date of approval of the financial statements by Members of the council, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Statement of Internal Control

- 32 A formal review of the effectiveness of the Statement of Internal Control has been carried out which has enabled the Council to make the necessary disclosures in line with CIPFA guidance.

Bad debt provision

- 33 A formal review of the bad debt provision has been completed to ensure it has been set at an appropriate level.

Signed on behalf of Epping Forest District Council

Robert Palmer

Head of Finance

Date

Appendix 7 – Action Plan

| Page no. | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|----------|---|--|------------------------|--------|----------|------|
| 14 | R1 The Council should ensure that the improvements to the arrangements for risk management already made are maintained and become embedded in Council processes. | 3 | Joint Chief Executives | | | |
| 14 | R2 The Council should ensure that the areas for improvement already identified for value for money are addressed during 2006/07. The Council should: <ul style="list-style-type: none"> • implement performance systems which contribute to improvements in economy, efficiency and effectiveness of service delivery; • establish, implement and monitor targets for the improvement of value for money at corporate and service levels; • continue work to develop a three-year efficiency statement in line with Gershon principles and monitor progress at regular | 3 | Joint Chief Executives | | | |

| Page no. | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|----------|---|--|----------------|--------|----------|------|
| | <p>intervals;</p> <ul style="list-style-type: none"> • develop and implement the draft external funding strategy to ensure sustainable and cost effective use of external resources; and • continue to develop the strategic procurement function, processes and controls so that a robust approach is embedded across the Council. | | | | | |