

# **Supplementary Committee Agenda**



**Epping Forest  
District Council**

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## **Audit and Governance Committee Thursday, 7th February, 2013**

**Place:** Council Chamber  
Civic Offices, High Street, Epping

**Time:** 7.00 pm

**Democratic Services:** Gary Woodhall  
The Office of the Chief Executive  
Tel: 01992 564470  
Email: [democraticservices@eppingforestdc.gov.uk](mailto:democraticservices@eppingforestdc.gov.uk)

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**7. REPORT OF THE EXTERNAL AUDITOR - GRANT CLAIM CERTIFICATION (Pages 87 - 94)**

(Director of Finance & ICT) To consider the additional report from the External Auditor regarding the Audit Fee Planning Letter for 2012/13.

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# Planning Letter 2012/13

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Epping Forest District Council

DECEMBER 2012



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# Proposed audit fees

## INTRODUCTION

We are required to report to you our proposed fees and programme of work for the 2012/13 financial year.

The fee is based on the work required under the Audit Commission's *Code of Audit Practice* and our assessment of risk and audit resource required to complete this work, taking into account the strength of your control environment, coverage of internal audit work and previous audit experience.

The audit fee covers:

- audit of the financial statements
- value for money conclusion.

## PROPOSED FEES

A summary of the proposed fee, and how it compares to the current published Audit Commission scale fee for 2012/13 and the actual fees for 2011/12, is shown below:

Audit area	Proposed fee 2012/13 (£)	Published scale fee 2012/13 (£)	Actual 2011/12 fee (£)
Code audit work	85,329	<sup>(1)</sup> 85,329	<sup>(2)</sup> 157,215
Certification fees			
- Grants and returns	31,850	31,850	55,125
Total proposed fees	117,179	117,179	212,340

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### AUDIT COMMISSION SCALE FEE CHANGES

In March 2012 the Audit Commission completed its procurement exercise to award new contracts to audit suppliers and was able to secure significant reductions in the cost of audit services. Together with further savings achieved through efficiencies, the Audit Commission has been able to pass on reductions of up to 40 per cent in audit fees for the five years of the contracts.

The published scale fee for 2012/13<sup>(1)</sup> is based on 60 per cent of the original proposed fee for 2011/12 of £142,215.

The proposed fee for 2011/12 was subsequently increased by £15,000 to reflect additional costs required to complete the audit of the financial statements, which has been previously reported to the Audit and Governance Committee. This increased the costs for the financial statements audit to £157,215<sup>(2)</sup>

For 2012/13, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work. The indicative fee is based on actual certification fees for 2010/11 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction.

As the risk profile of the Council is average and the indicative fee is at scale, there is little scope to reduce the audit fee in future years.

### VARIATION TO PUBLISHED SCALE FEE

We do not propose any variation to the composite indicative fee at the current time.

### NON-AUDIT ASSURANCE WORK

We have not proposed undertaking any non-audit work.

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# Proposed work

## INTRODUCTION

A separate audit plan will be issued early in 2013 once we have completed our detailed risk assessment. This will detail the significant financial statements risks and value for money risks identified, our planned audit procedures to respond to those risks and any associated changes in fee.

In this Planning Letter we outline the proposed work programme and planned risk-based value for money work.

## FINANCIAL STATEMENTS

Our audit strategy proposes that we obtain assurances over the financial statements using a combination of testing the effectiveness of the Council's internal controls, testing a sample of transactions and balances in the accounts, and analytical procedures. We will seek to rely on the work of any management expert used to prepare items in the accounts, such as land and property valuations provided.

## VALUE FOR MONEY

We are required to assess the Council's arrangements to:

- secure financial resilience
- challenge how it secures economy, efficiency and effectiveness.

## WHOLE OF GOVERNMENT ACCOUNTS (WGA)

As part of the WGA process we are required to review and report on the consolidation pack you have prepared for submission. Our work involves ensuring consistency between the audited financial statements and the consolidation pack.

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#### CHANGES TO PROPOSED WORK AND FEES

If we need to propose any amendments to the audit fee during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Director of Finance and ICT and inform the Audit Commission of a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee.

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# Planned outputs

## REPORTS AND OPINIONS

We plan to issue the following reports and opinions over the course of the audit:

- audit plan (March 2013)
- if appropriate, report on significant deficiencies in internal controls (May 2013)
- annual governance report (September 2013)
- auditor's report with opinion on the financial statements and value for money conclusion (September 2013)
- auditor's report and assurance statement on the Whole of Government Accounts L-Pack (September 2013)
- annual audit letter (October 2013)
- grants claims and returns certification report (January 2014).



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# Audit team

## KEY MEMBERS OF THE AUDIT TEAM

### Engagement Lead – Richard Bint

Email: [richard.bint@uk.pkf.com](mailto:richard.bint@uk.pkf.com)

Tel: 020 7065 0497

Richard will be responsible for the overall delivery of the audit including the quality or outputs and liaison with senior management.

### Manager – Clare Reed

Email: [clare.reed@uk.pkf.com](mailto:clare.reed@uk.pkf.com)

Tel: 01473 320781

Clare will be manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

### Team Leader – Ryan Barlow

Email: [ryan.barlow@uk.pkf.com](mailto:ryan.barlow@uk.pkf.com)

Tel: 01473 320815

Ryan will lead the delivery of the accounts audit.

We will discuss with you any changes that may be necessary to this.

## CLIENT SATISFACTION

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, 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. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales (“ICAEW”).

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