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Accountants &
business advisers

Epping Forest District Council

Annual Audit Plan 2010/11

December 2010

Contents

Appendices

Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Code of Audit Practice

Statement of Responsibilities

1 Executive summary

1.1 The purpose of this Annual Audit Plan is to update our 2010/11 fee letter issued in April 2010 by:

- updating our risk assessment, now that we have concluded our 2009/10 audit work, and confirming the significant audit risks identified
- setting out our audit strategy and the scope of our audit.

Significant audit risks

1.2 These are set out in detail in section 3 and Appendix A, and include:

- Implementation of the new property management system
- Valuation of, and accounting for, the Council's housing stock, including garages
- Introduction of International Financial Reporting Standards (IFRS).

1.3 In addition, International Standards on Auditing (UK and Ireland) presumes that a risk of management override of controls is present in all entities and requires us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual. We are also required to consider the need to perform other additional procedures.

Fees

1.4 The audit fee for the year remains at £149,700 (including 6 per cent uplift on the prior year for the impact of implementing IFRS). It has not been necessary to make any amendments to the audit fee since we issued our Audit Fee Letter to you in April 2010. The assumptions we have made in setting the audit fee are set out in section 4.

1.5 For 2010/11 audit fees, the Audit Commission has:

- given a 6 per cent rebate of audit scale fee to mitigate the increase in audit fee arising from the transition to IFRS. The rebate for Epping Forest District Council was £8,179.
- announced that it will rebate a further 1.5% of the audit scale fee to reflect the early curtailment of the use of resources work completed earlier this year. This is expected to be in the region of £2,000 but the exact amount is yet to be confirmed.
- confirmed that it will not charge local authorities for the work undertaken on the managing performance part of the organisational assessment before work on Comprehensive Area Assessment was stopped.

1.6 Grant fees for claims and returns for the year ended 31 March 2010 have now been completed and the outturn fee was £69,994. Based upon our experience of this most recent set of reviews, we anticipate fees for claims and returns for the year ended 31 March 2011 to be approximately £62,000, taking account of grade rate changes outlined in the Audit Commission's Work Programme and Fees document for 2010/11.

Key outputs

1.7 The key reports, opinions and conclusions from the audit will be:

Output	Expected timing
Accounts	
Report on the review of internal controls	July 2011
Annual governance report on the financial statements	September 2011
Audit opinion covering the financial statements	September 2011
Opinion on the Whole of Government Accounts return	September 2011
Value for money conclusion	September 2011
Annual audit letter	November 2011
Grants	
Grants report to Those Charged With Governance on claims and returns for the year ended 31 March 2011	February 2012

2 Introduction

2.1 This Annual Audit Plan sets out the audit work that we propose to undertake for the 2010/11 financial year. It has been drawn up from our risk based approach to audit planning and planning meetings held. The information and fees in this Plan will be kept under review and any significant changes will be reported to the Audit and Governance Committee.

2.2 The context in which we deliver our audit is set out in Appendix B.

Assessing risks

2.3 We are committed to targeting work to where it will have the greatest effect, based upon assessments of risk and performance. 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 ensuring that our work is co-ordinated with the work of other regulators, and that our work helps you to improve.

2.4 Our risk assessment process focuses on the identification of significant financial and operational risks. For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly.

Impact of introduction of Clarity International Standards on Auditing (CISAs)

2.5 We would like to draw to your attention the fact that for the audit of the financial statements for years ending on or after 15 December 2010 we are required to apply the clarified (or revised and redrafted) International Standards on Auditing (UK & Ireland). These have increased the number of requirements that have to be met when carrying out an audit and you are likely to notice a change in our approach to the audit of certain areas. Consequently we may require additional information from you or we may request information at a different stage of the audit process than has been the case in previous years.

Examples of areas where our approach to the audit may change as a result of the additional requirements of the clarified International Standards on Auditing include (but are not limited to):

- ***Materiality*** **–** we are required to set not only a materiality level against which to evaluate the effect of identified misstatements on the audit but also a second level of materiality (known as "performance materiality") which is to be used when planning and performing the audit. This has to be set at a level lower than the materiality for the financial statements as a whole so as to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. The potential impact is that areas previously unaudited on the grounds of materiality may now fall within the scope of our audit work or more work may have to be done in certain areas to reflect the lower level of materiality on the extent of work.

- ***Related parties*** **–** whilst under the existing ISAs we were required to obtain an understanding of the related parties of the entity, including the controls that those charged with governance have in place over the identification and accounting for related parties, the clarified ISAs place a greater emphasis on a risk based approach to the consideration of this area. We use our understanding to assess the risk of material misstatement of the financial statements in respect of related parties and design further audit procedures accordingly. Our audit work on related parties will also include consideration of transactions that have occurred, if any, outside the normal course of business and in identifying any omitted related party relationships and transactions.

- ***Control environment*** – whilst, under the existing ISAs, we were required to report to those charged with governance, the clarified ISAs place an increased emphasis on the need to communicate in writing significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis and, in addition, to report other deficiencies in internal control identified during the audit that are of sufficient importance to merit management's attention. As a result it may be necessary for us to produce additional reports to management of weaknesses identified in the control arrangements at the Council, in addition to the reporting cycle to those charged with governance through the Audit and Governance Committee.
- ***Accounting estimates*** – we will consider all areas of the financial statements subject to accounting estimate and we are required to obtain a greater understanding about how those estimates have been determined and consider the effects of uncertainty in assumptions used. We will identify and assess the risks of material misstatement arising from the use of accounting estimates and will focus our work on areas where the risks of material misstatement are greatest. Our audit work on accounting estimates will also consider whether the Council's policies in respect of areas of the financial statements which involve notable use of accounting estimates are appropriately formulated and applied.

3 Risk assessment

Significant financial statement audit risks

3.1 Summarised below are the significant accounts risks that are likely to impact on our audit of which we are currently aware. More detail on these risks can be found in Appendix A.

- International Financial Reporting Standards (IFRS) have been adopted in local government from 2010/11 and required transitional arrangements to be put in place by the Council
- Implementation of the new property management system
- Valuation of, and accounting for, the Council's housing stock, including garages.

3.2 In addition, International Standards on Auditing (UK and Ireland) presumes that a risk of management override of controls is present in all entities and requires us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual. We are also required to consider the need to perform other additional procedures.

3.3 We have set a triviality level of £30,000 for the 2010/11 accounts audit and will not report to you any matters arising below this level.

Updated value for money conclusion risk assessment

3.4 We have updated our use of resources risk assessment for 2010/11 to take into account:

- matters arising from the completion of the 2009/10 audit
- additional audit knowledge gained since our initial risk assessment which was included in our 2010/11 Audit Fee Letter, issued in April 2010 and presented to the Audit and Governance Committee in June 2010
- the introduction of the Audit Commission's revised arrangements for the determination of the value for money conclusion (see Appendix B).

3.5 We have not identified any additional significant risks as a result of our updated risk assessment.

Other issues

3.6 The current economic climate continues to cause financial pressures for the Council with the change in estimated revenue spending power in 2011/12 for the Council being a reduction of 5.5% overall (£1.1m). In real terms, this is actually a reduction of approximately 16% of revenue support grant which presents a notable financial management challenge. The Council's financial position will be regularly monitored during the course of our planning and delivery of the audit, and we will assess the Council's financial resilience and plans for delivering efficiencies as part of forming our value for money conclusion.

4 Fees and billing arrangements

Fees

4.1 As reported to you in our Audit Fee Letter in April 2010 (which was taken to the June Audit and Governance Committee), the audit fee for the period April 2010 to March 2011 is £149,700 plus VAT.

4.2 The fee is based on our understanding of audit requirements and risks at the time of drafting this Plan. If we need to make significant amendments to the audit fee during the course of the audit, we will first discuss this with the Director of Finance & ICT and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee.

4.3 For 2010/11 audit fees, the Audit Commission has:

- given a 6 per cent rebate of audit scale fee to mitigate the increase in audit fee arising from the transition to IFRS. The rebate for Epping Forest District Council was £8,179.
- announced that it will rebate a further 1.5% of the audit scale fee to reflect the early curtailment of the use of resources work completed earlier this year. This is expected to be in the region of £2,000 but the exact amount is yet to be confirmed
- confirmed that it will not charge local authorities for the work undertaken on the managing performance part of the organisational assessment before work on Comprehensive Area Assessment was stopped.

Audit area	Revised fee 2010/11	Indicative fee 2010/11	Actual fee 2009/10
Financial statements, including WGA	86,200	86,200	86,290
VFM Conclusion	35,000	35,000	34,900
Planning and reporting	28,500	28,500	28,100
Total Code audit fee	**£149,700**	**£149,700**	**£149,290**
Certification of claims and returns[1]	£62,000	£62,000	£69,994

4.4 **Grants certification:** Fees are separately billed based on the Audit Commission's grade related rates as set out in the *Work Programme and Fee Scales* on the basis of hours incurred. Grant fees for claims and returns for the year ended 31 March 2010 have been completed and the outturn fee was £69,994. Based upon our experience of this most recent set of reviews, we anticipate fees for claims and returns for the year ended 31 March 2011 to be approximately £62,000, taking account of grade rate changes outlined in the Audit Commission's Work Programme and Fees document for 2010/11.

4.5 **Questions and objections**: Should any arise, 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.

4.6 The fees detailed above are based on the following assumptions:

- Internal Audit will have completed its systems testing in accordance with the plans and agreed timetable, and to an adequate standard

[1] Revised fee is based on the outturn for the 2009/10 claims and returns

- we will, after re-performing a sample of Internal Audit's work, be able to place full reliance on the work of Internal Audit
- you will keep us informed of any significant changes to your main financial systems or procedures
- you will provide the information requested in our records required listing in accordance with the agreed dates and that there will be no significant departures from that timetable. The firm reserves the right to increase its fees should this not be the case or should we encounter unexpected problems, or issues arise, causing significant additional work.
- time spent dealing with problems or issues arising is usually that of senior people and hence the cost will necessarily often be disproportionate to the original fee.
- you will ensure that audit reports are responded to 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 and improvements to the Council's processes for preparing accurate draft claims for audit have been secured.

4.7 The fee assumes efficient co-operation as set out above and is set at the minimum level to carry out the audit. This assumption is based upon arrangements for 2010/11 and our consideration of your annual governance statement in your 2009/10 accounts.

Billing arrangements

4.8 Your audit fee is being billed in 4 equal instalments of £37,425.

5 Audit arrangements

Staffing

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

	Role and responsibility
Engagement Partner **Richard Bint** Email: richard.bint@uk.pkf.com Tel: 020 7065 0497	Responsible for delivering the audit in line with the Audit Commission Code of Audit Practice, including agreeing the Audit Plan, Annual Governance Report and Annual Audit Letter. Also responsible for signing opinions and conclusions, and for liaison with the Chief Executive and Audit and Governance Committee.
Director **Lisa Clampin** Email: lisa.clampin@uk.pkf.com Tel: 01473 320716	Responsible for overall control of the audit, ensuring timetables are met and reviewing the audit output. Also responsible for managing our accounts and value for money work and for completion of the Audit Plan, Annual Governance Report and Annual Audit Letter.
Supervisor **Neil Jenner** Email: neil.jenner@uk.pkf.com Tel: 01473 320806	Responsible for assisting the Director in the delivery of the management role and responsibilities and managing our audit fieldwork on site for accounts and value for money.
Senior **Ed Pink** Email: edward.pink@uk.pkf.com Tel: 01473 320721	Responsible for managing our audit team undertaking fieldwork on site for accounts.
VAT advisor **Richard Wild** Email: richard.wild@uk.pkf.com Tel: 01473 720744	Responsible for assessing the arrangements in place to manage the Council's responsibilities in respect of VAT.

Timetable

5.2 The following outline timetable shows the expected dates planned for key fieldwork elements of the audit to commence:

Audit Timetable	Timing	Reporting
Review of internal controls	June 2011	July 2011
Audit of the financial statements	August 2011	September 2011
Audit of the whole of government accounts return	September 2011	September 2011
Value for money conclusion	September 2011	September 2011
Grants reviews (including HBCOUNT benefits work) on claims and returns for the year ended 31 March 2011	June to November 2011	January 2012

5.3 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.

Communication

5.4 Auditing Standards require 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.

5.5 We have included in Appendix C 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.

5.6 Following our audit of the financial statements we will report to the Audit and Governance Committee on the findings from our audit.

Quality of service

5.7 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.

5.8 If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

5.9 In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website http://www.audit – commission.gov.uk/complaints/

Appendix A

Value for money risks

	Audit risk identified from planning	Relevant criteria	Audit response
Use of Resources			
1	***Leadership:*** *There is a risk of adverse impact on the leadership and strategic capacity of the Council (and potentially effective use of resources) given the protracted discussions concerning the structure of the senior management team.*	*Securing economy, efficiency and effectiveness*	*This will be kept under review at liaison meetings and other meetings with Council officers.* **Updated risk assessment:** We have monitored developments in respect of the Council's strategic capacity and no longer consider this to be a significant risk in the context of the value for money conclusion.

Italics = reported in fee letter presented to the Audit Committee on 27 April 2010

Non-italics = new risk

Accounts risks

	Audit risk identified from planning and relevant assertions	Financial Statement Area	Audit response
Accounts			
1	*A new property management system is being implemented in 2010/11 and there is a risk that there may be a loss of data in the transfer, leading to a material misstatement. The new system will provide the Council with a revaluation reserve on an asset by asset basis.* *This risk will relate to the account balances assertions on 'Completeness', 'Existence' and 'Valuation and Allocation'.*	***Non current assets - Property, plant and equipment***	*We will review the controls that the Council has put in place to ensure the accuracy of the data transfer.* *The system will be reviewed to ensure the revaluation reserve is appropriately created.*
2	The introduction of IFRS increases the risk of incorrect accounting treatment of some of the balances affected by the new standards resulting in a material misstatement of the financial statements. The IFRS changes most pertinent to the Council in 2010/11 necessitate: • Review of arrangements against IFRIC 4 (lease arrangements) • Consideration of leasing arrangements against IAS 17 (Leases) • Review of valuation policies and component accounting for assets under IAS 16 (Property, plant and equipment) • Calculation of employee benefits under IAS 19 (Employee benefits) • Review of government grants in light of CIPFA's decision to apply IPSAS 23 • Review of group accounting requirements under IFRS which focuses on ability to control as opposed to actual control • Operating segment disclosures under IFRS 8 (Operating segments). This risk will affect all assertions.	**Financial statements as a whole**	An early review will be completed to ensure that the new standards have been implemented appropriately, in particular with regard to the restatement of the balance sheet for 31 March 2010 and comparative balances for the year ended 31 March 2009. Detailed testing will be completed during the final accounts audit.

	Audit risk identified from planning and relevant assertions	Financial Statement Area	Audit response
3	There is a risk that the housing stock accounting treatment and/or valuation will be materially inaccurate due to difficulties experienced in the prior year with accounting for revaluations. This risk will affect the account balances assertion on 'Valuation' and the presentation and disclosure assertion on 'Accuracy and Valuation'.	**Non current assets – Property, plant and equipment**	We will increase the level of detailed substantive testing completed on the accounting treatment of any revaluations and movements in non current assets.

Appendix B: Audit requirements

Financial statements

The Code requires us to provide an opinion on whether your financial statements “are true and fair” and have been prepared properly, in accordance with relevant legislation and applicable accounting standards.

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
- consider the robustness of your accounts preparation processes
- undertake analytical procedures, test transactions and balances and consider the adequacy of the disclosures in your financial statements.

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

We will review the appropriateness and consistency of application of the accounting policies adopted by the Council and ensure that these are consistent with the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11*.

We will report to you significant qualitative aspects of the accounting practices including the application of the Code or other significant matters relevant to the financial reporting process.

We will also report uncorrected misstatements and material uncertainties relating to going concern.

We will read the other information included in the financial statements and, if appropriate the annual report, to ensure this is consistent, complete and not misleading based on our overall knowledge. We will review your annual governance statement to assess whether it has been presented in accordance with relevant guidance, is adequately supported, that an effectiveness review has been completed, and it is consistent, complete and not misleading based on our overall knowledge.

We will report to you significant matters discussed, or subject to correspondence with management or other employees; and also any significant difficulties that we encountered during the course of the audit.

We will seek written representations from the Council or from other parties to acknowledge and understand the responsibilities for preparing the financial statements, for the internal controls necessary to enable preparation of financial statements that are free from material misstatement whether due to fraud or error, and that we have been provided with access to all information of which you are aware of that is relevant to the preparation of the financial statements.

Where we propose any modifications to the audit opinion or emphasis of matter paragraphs in the auditors’ report, we will report this to you along with the reasons for the modifications.

Internal controls and significant financial systems

International Standards on 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.

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

Your significant financial systems are:

- Main accounting
- Cash and bank
- Payments and creditors
- Income and debtors
- Payroll and employment costs
- Information technology
- Council tax
- Housing and council tax benefits
- National Non-Domestic Rates
- Housing rents income
- Investments and investment income

We will report to management any deficiencies in internal control identified during the audit. Where we identify significant deficiencies in internal control during the audit we will also report them to those charged with governance.

Working with Internal Audit

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

Fraud risk assessment

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting.

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” (the Audit and Governance Committee).

We will make appropriate enquiries and review the counter fraud arrangements in place 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.

For all fraud risks, and for any actual frauds that have been identified and we have been informed of, we will consider the possible impact on your accounts and our audit programme.

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. The actual procedures to be performed have been developed by the Audit Commission in discussion with the National Audit Office. Our work involves ensuring consistency between the audited accounts and the consolidation pack, and the agreement of balances with other bodies.

Value for money conclusion

The Code requires auditors to issue a conclusion on whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

The Commission has reviewed its approach to auditors' VFM work so that from 2010/11 auditors will give their statutory VFM conclusion based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience.

- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The focus of the criteria for 2010/11 are:

- The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

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

Local risk-based work

Local risk-based work is proposed to address audit risks relating to the accounts opinion or Value for Money Conclusion where normal levels of work are considered insufficient to fully address risk exposure.

Appendix C: Communication with 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 (UK & Ireland) 260 – Communication with those charged with governance 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 revised ISA does not define ‘those charged with governance’ as there are such a diverse range of arrangements across all types of entity. However it does state that “The auditor shall determine the appropriate person(s) within the entity's governance structure with whom to communicate.” 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 Council 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 Engagement Partner
- 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
- 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 2011, 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 (UK & Ireland) 260 – Communication with those charged with governance, 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.