

Audit Plan 2012/13

REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE

Eastbourne Borough Council

MARCH 2013



Contents

1	Executive summary	1
2	Audit scope and responsibilities	3
3	Risk assessment	6
4	Reporting and communications	11
5	Fees	14
	Appendix A – Risk assessment	16

Disclaimer

The *Code of Audit Practice* and *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 and officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member of officer in their individual capacity or to any third party.

We accept no responsibility for any reliance that might be placed on reports and letters for any purpose by third parties, to whom it should not be shown without our prior written consent.

1 Executive summary

We are pleased to present our Audit Plan for the year ending 31 March 2013. This plan summarises our proposed audit work for the year for Eastbourne Borough Council, the significant risks that impact on our audit and our planned work in response to those risks.

AUDIT SCOPE AND RESPONSIBILITIES

The scope of the audit is determined by the Audit Commission's *Code of Audit Practice for Local Government (March 2010)* and requires us to review and report on your:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in the use of resources.

RISK ASSESSMENT

We have identified the following areas of significant risk that impact on our audit:

Financial statements

- management override of controls
- revenue recognition
- housing revenue account reform and revised capital accounting
- heritage assets valuations
- Municipal Mutual Insurance (MMI) repayment provision

Use of resources

- managing future funding shortfalls through the medium term financial strategy
- investment in infrastructure plans
- managing the transfer of waste management services to external contractor.

REPORTING AND COMMUNICATIONS

We will provide an opinion on your financial statements and a conclusion on your arrangements to secure economy, efficiency and effectiveness by 30 September 2013. We will provide our detailed report on findings and conclusions to the Audit and Governance Committee ahead of the reporting deadline and provide progress reports throughout the year.

In addition, we will provide an Annual Audit Letter summarising the key issues from our audit, as a public facing document to be included on your website. We will also provide a report summarising our grants certification work for the year.

FEES

The proposed audit fee for the year is £88,920 plus VAT. The proposed fee for the certification of claims and returns is £21,900 plus VAT. These are both in line with the Audit Commission's published scale fee.

The fee for 2012/13 has been reduced compared to 2011/12 to reflect the combined impact of the Audit Commission's outsourcing of its in-house Audit Practice and internal efficiency savings at the Audit Commission.

2 Audit scope and responsibilities

PURPOSE OF THIS REPORT

We are pleased to present our Audit Plan for the year ending 31 March 2013, to set out a mutual understanding of our respective responsibilities, and to promote effective two-way communication between us.

This plan summarises our proposed audit work for the year for Eastbourne Borough Council, the significant risks that impact on our audit and our planned work in response to those risks.

The information and fees in this plan will be kept under review throughout the year and updated as necessary for any significant changes to risks and the focus of the audit, which will be reported to the Audit and Governance Committee.

COMMUNICATION

Auditing Standards require auditors to communicate relevant matters relating to the audit to “those charged with governance”. Relevant matters include issues on auditor independence (below), audit planning information and significant risks (section 3) and findings from the audit (section 4).

SCOPE OF THE AUDIT

The scope of the audit is determined by the Audit Commission’s *Code of Audit Practice for Local Government (March 2010)* which describes how auditors carry out their functions as set out in the *Audit Commission Act 1998*. This requires us to review and report on your:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in the use of resources.

Financial statements

The financial statements audit is conducted in accordance with International Standards on Auditing (UK & Ireland) (ISAs), *Practice Note 10: audit of public sector bodies in the United Kingdom (Revised)* and guidance issued by the Audit Commission.

Use of resources

Our review of your arrangements to secure economy, efficiency and effectiveness is based on the following two 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.

Whole of Government Accounts (WGA)

Local authorities are required to prepare information to allow HM Treasury to prepare consolidated Whole of Government Accounts based on the statutory financial statements. The WGA return is audited in accordance with Audit Commission specified procedures and requires additional assurance to confirm that counter-party data is properly and accurately recorded.

We provide an assurance report to the National Audit Office to confirm that the WGA return is consistent with the audited financial statements and that it is properly prepared.

Certification of grant claims and returns

As an agent of the Audit Commission we will undertake a review of grant claims and returns above the audit threshold in accordance with the certification instructions issued by the Audit Commission.

We express a conclusion whether the claim or return: is in accordance with the underlying records (claims and returns above the minimum level and below the threshold); or is fairly stated and in accordance with the relevant terms and conditions (claims and returns over the threshold).

RESPECTIVE RESPONSIBILITIES

The respective responsibilities of the Council and ourselves are set out in in the *Statement of Responsibilities of Auditors and Audited Bodies (2010)* and *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, both available from the Audit Commission's website.

The Council remains responsible for: the preparation of the financial statements; for exercising its functions economically, efficiently and effectively; the preparation of the Whole of Government Account return; and for preparing accurate grant claims and returns.

We are responsible for forming and expressing an opinion on these in accordance with the requirement of the *Code* and other guidance. Our audit responsibilities do not relieve you of your responsibilities.

INDEPENDENCE AND OBJECTIVITY

We consider there are no relationships between PKF or other member firms of the PKF International network and yourselves, including councillors, senior management and affiliates, which may reasonably be thought to bear upon our objectivity and independence as auditors.

BDO LLP and PKF (UK) LLP recently announced that we have agreed to merge our businesses and this is expected to be completed in spring 2013. The firm, under the BDO brand, will be a leading accountancy and business advisory firm, with some 3,500 people in the UK generating revenues approaching £400million. The merger creates a financially strong business with significant sector and geographical coverage across the UK.

PKF has a significant presence in providing audit and assurance services to public sector entities, including local authorities. BDO offers a well regarded advisory and consultancy practice across the public sector. Our clients should see significant benefits arising from this merger in the depth and breadth of the services available.

A copy of PKF's general policies and processes for maintaining objectivity and independence can be provided on request.

CO-OPERATION WITH OTHER BODIES

The *Code* requires co-operation between auditors and other regulatory bodies including the National Audit Office to facilitate an efficient audit. In preparing this plan, we have assumed that the Council has provided us permission to discuss issues relevant to the audit with regulators and other auditors.

QUALITY OF SERVICE

We are committed to providing 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 Leigh Lloyd-Thomas 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").

In addition, the Audit Commission's complaints handling procedure is detailed on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints/>.

3 Risk assessment

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 significant risk relevant to our audit responsibilities and reflecting this in the audit fees.

The determination of significant risks is a matter for auditors' professional judgment. For each of the significant audit risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly. Current and emerging risks that do not impact on our audit are also discussed with management so that we may add value to the risk assessment process and monitor any areas of concern to the Council.

We detail below significant risks impacting on our audit of the financial statements or arrangements for securing economy, efficiency and effectiveness in the use of resources.

If you consider there to be other significant risks, whether due to fraud or error, please let us know.

FINANCIAL STATEMENTS

We will plan and perform procedures designed to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, thereby enabling us to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The applicable financial reporting framework is the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13*.

We will obtain an understanding of the Council and of the environment in which it operates, including the Council's internal controls and this, together with information obtained from discussions with management, provides a basis for identifying and assessing the risks of material misstatement.

Fraud risk assessment

The primary responsibility for ensuring that your internal control frameworks are sufficient to prevent and detect fraud and corrupt practices lies with management and "those charged with governance" (the Audit and Governance Committee).

We have discussed the possible risk of material misstatement arising from fraud with the Financial Services Manager and Internal Audit Manager.

Each has confirmed that they are not aware of any actual, suspected or alleged instances of fraud during the financial year, other than:

- Housing benefit fraud cases

The amounts involved were not significant and instances over £10,000 are reported to members of the Audit and Governance Committee. Please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

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

Significant risks

We have identified areas of significant risk that impact on our audit. These, and our proposed work to respond to such risks, are set out below.

Management override of controls

ISA (UK&I) 240 *The auditor's responsibilities in relation to fraud in an audit of financial statements* requires us to presume that a risk of management override of controls is present and significant in all entities.

We are required to respond to this risk by testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We will review accounting estimates for evidence of possible bias and obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual. We are also required to consider the need to perform other additional procedures to respond to the identified risk of management override of controls.

Revenue recognition

ISA (UK & Ireland) 240 requires us to presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue. As a consequence our audit work will be designed to focus on these areas.

Housing Revenue Account reform and revised capital accounting

CIPFA's guidance on Housing Revenue Account (HRA) reporting has been amended to reflect the new self financing arrangements including the abolition of the HRA subsidy (and funding through the Major Repairs Allowance), and new capital accounting requirements to reflect the difference in the depreciation charge and a notional major repairs allowance to manage the impact on rents.

We will review HRA accounting transactions affected by the self financing requirements and the appropriate presentation in accordance with the CIPFA guidance.

Heritage asset valuations

The Council has included valuations for the Towner art collection based on the last full valuation obtained in 1992 and adjusting by RPI each year for insurance purposes. The Council has agreed to obtain an up to date valuation for all of its heritage assets during 2012/13 to ensure the valuation for each type of heritage asset remains appropriate.

We will review the assumptions used by management, including advice provided by appropriate external valuers, in estimating the valuation of significant heritage assets.

Municipal Mutual Insurance (MMI) repayment provision

Under the scheme of arrangement with MMI, local authorities may be required to reimburse amounts to MMI in the event that it does not have sufficient resources to meet its insured obligations. MMI was recently subject to a legal ruling regarding a claim for mesothelioma that confirmed that it remains responsible for liabilities that existed at the time of exposure, rather than from the time the symptoms start to develop. There is an expectation that MMI will now be subject to many similar claims and has indicated that the scheme of arrangement will need to be triggered.

The Council reported this event and potential exposure as a contingent liability in 2011/12, and will need to consider if the judgement creates greater certainty about the likelihood of their liability crystallising and whether it should therefore report amounts as a provision within the financial statements.

We will review the advice obtained by the Council and the assumptions to support amounts estimated to be repaid to MMI.

Internal control

As part of our audit we obtain an understanding of the Council's system of internal control sufficient to plan the audit. We assess the adequacy of the design of specific controls that respond to significant risks of material misstatement and evaluate whether those controls have been implemented. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

Internal audit

It is our intention to use the work of your internal auditors in reaching our audit conclusions. We will be seeking to use work performed on the Council's financial systems.

Reliance on other auditors

The group financial statements include the accounts of the Council and Eastbourne Homes Limited, a wholly owned subsidiary of the Council. This is the Arms Length Management Organisation responsible for managing the Council's housing stock.

The accounts of the subsidiary are audited by Baker Tilly UK Audit LLP. We will liaise with the external auditors at the planning stage and completion stage to obtain the necessary assurances over the amounts of the company included in the consolidated group accounts.

We will audit the consolidation adjustments in respect of transactions between the Council and the subsidiary and any inter-company balances.

We have not identified any separate significant risks in respect of the group accounts or the consolidation.

Reliance on management experts

Where the financial statements include amounts included by management that have been derived from information or estimates provided by experts, we may seek to place reliance on that work in obtaining audit evidence. As part of our work we expect to obtain assurance on the work undertaken by the following experts:

- valuation of land, buildings and dwellings assets and estimated economic useful life provided by qualified valuers
- valuation of heritage assets by appropriate art valuers and auctioneers
- valuation of pension liabilities and share of the scheme assets provided by your actuary
- fair value calculations and disclosures for financial instruments carried at amortised costs including investment assets and borrowings.

Materiality

Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

USE OF RESOURCES

We will plan and perform procedures designed to obtain reasonable assurance about whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources. In meeting this responsibility, we will review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements and report on these arrangements.

In doing so, we have regard to the criteria specified by the Commission.

Significant risks

We have undertaken our value for money risk assessment for 2012/13. This takes into account matters arising from the completion of the 2011/12 audit and additional audit knowledge gained from our regular liaison meetings and planning processes. We have also considered the impact of other regulators' work throughout the year as part of our evaluation of the arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have identified areas of significant risk that impact on our audit. These, and our proposed work to respond to such risks, are set out below.

Medium term financial strategy

Government continues to reduce funding for local government over the Spending Review period, and combined with additional pressures arising from demographic and other changes, will have a significant impact on councils. Changes to the arrangements for funding council tax support and the business rate retention scheme brings added uncertainty to the medium term financial strategy.

We intend to review progress towards the Council's Sustainable Service Delivery strategy and the new Future Operating Model in 2012/13. We will also consider the Council's proposals to identify further savings required, and the medium term financial strategy to assess how well it is addressing these pressures.

Investment in infrastructure plans

The Council has an ambitious programme to invest in infrastructure, broadband roll out and housing in order to promote economic growth and well being across the borough. While many of these projects are at the development stage, approvals could see progress made at a pace.

We intend to review developments in the Council's capital and investment programmes and to assess the impact that such investment is likely to have in delivering the Council's strategic priorities.

Managing the transfer of waste management services

A partnership with three other councils in East Sussex is now in place to secure the procurement of waste management services across four districts. Resources are being pooled to maximise the procurement savings available to all councils involved.

Eastbourne is due to implement the changes required by the partnership, including a new waste contractor, in April 2013.

We will discuss with management how the new contract is progressing and the developing arrangements for future delivery. We will ensure such work is coordinated across all of the councils involved in the new contract.

Other use of resources work

We will also review the Audit Commission's Value for Money Profile Tool to identify any areas of concern over costs and performance data and discuss the findings with management.

4 Reporting and communications

COMMUNICATION

During the course of our work, we will communicate to you relevant matters relating to the audit. We will communicate matters of governance interest that have come to our attention as a result of the performance of the audit. The audit is not designed to identify all matters that may be relevant to you.

Communication may take the form of discussions or, where appropriate, be in writing.

If we identify significant deficiencies in internal control, we will communicate such deficiencies to you, in writing, as soon as is practicable.

Our contact for communications will be the Head of Financial Services, the Head of Internal Audit and the Audit and Governance Committee. When communicating with this Committee we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

FINDINGS FROM THE AUDIT

As required by auditing standards and the *Code*, we will communicate the following matters to you, where applicable:

- significant deficiencies in internal control identified during the audit
- significant qualitative aspects of the Council's accounting practices including the application of the applicable financial reporting framework
- significant matters discussed, or subject to correspondence with management or other employees
- uncorrected misstatements (see below)
- material misstatements that have been corrected by management
- other significant matters relevant to the financial reporting process
- material uncertainties relating to going concern
- written representations that we are requesting from you or from other parties
- expected modifications to the opinion or emphasis of matter (or other matter) paragraphs in the auditor's report
- significant difficulties that we have encountered during the course of the audit

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- any matters that prevent us from being satisfied that you have put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources
 - any matters reported in the public interest
 - any recommendations made under section 11(3) of the Audit Commission Act 1998.

UNCORRECTED MISSTATEMENTS

We will report to you all uncorrected misstatements that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the opinion in the auditor's report except for those that are clearly trivial. For reporting purposes, we consider misstatements of less than £40,000 to be trivial, unless the misstatement is indicative of fraud.

We will identify material uncorrected misstatements individually. We will request that any uncorrected misstatements are corrected.

AUDIT TEAM

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

<p>Leigh Lloyd-Thomas – Engagement partner email: leigh.lloyd-thomas@uk.pkf.com Tel: 020 7065 0486</p>	<p>Responsible for delivering the audit in line with the <i>Code</i>, including agreeing the Audit Plan, Governance Report and any other reports. Also responsible for signing opinions and conclusions.</p>
<p>Andrew Lynas – Manager email: andrew.lynas@uk.pkf.com Tel: 020 7065 0546</p>	<p>Responsible for overall control of the audit, ensuring timetables are met and reviewing the audit output. Also responsible for liaison with the senior management and the Audit and Governance Committee.</p>
<p>Halina Watson – Audit Senior email: halina.watson@uk.pkf.com Tel: 020 7065 0788</p>	<p>Responsible for managing the delivery of our audit fieldwork on site.</p>

TIMETABLE AND OUTPUTS

Area of audit	Fieldwork	Reporting
Financial statements		
Review of internal controls	Mar - Apr 2013	30 Sept 2013
Final audit of the financial statements	July - Aug 2013	30 Sept 2013
Report on the consistency of the WGA return	Aug - Sept 2013	4 Oct 2013
Use of resources		
Review of the arrangements to secure economy, efficiency and effectiveness in the use of resources	Apr - Aug 2013	30 Sept 2013
Certification of grants and returns		
Audit of grants and returns	Apr - Aug 2013	Departmental deadlines
Reporting		
Report on significant deficiencies in internal controls (if required)		26 June 2013
Governance report to the Audit and Governance Committee		25 Sept 2013
Annual Audit Letter		Oct 2013
Certification of grants and returns report		Dec 2013

We will agree specific dates for our site 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.

5 Fees

AUDIT COMMISSION SCALE FEES

The proposed *Code* audit fee for the year is £88,920 plus VAT. As noted in our Planning Letter 2012/13, the proposed fee is in line with the Audit Commission's initial published scale fee.

The proposed fee for the certification of claims and returns is £21,900 plus VAT, which agrees to the composite scale fee published by the Audit Commission.

The fee for 2012/13 has been reduced compared to 2011/12 to reflect the combined impact of the Audit Commission's outsourcing of its in-house Audit Practice and internal efficiency savings at the Audit Commission.

The fee is analysed by audit area as follows:

Area of audit	2011/12 fee £	2012/13 fee £
Proposed fee	153,700	88,920
Additional work / risks	2,000	-
Total <i>Code</i> fee	155,700	88,920
Certification of grants and returns	35,325	21,900
Total	191,025	110,820

The Council may be able to reduce the audit fee as follows:

- improve closedown procedures for estimating amounts paid in the weeks before year end that include an element that is a payments in advance for services to be received in the following year
- further strengthen its control environment, especially regarding cash receipting and reconciliation of amounts banked at the Council's theatres
- undertaking a more thorough review of the draft financial statements to identify and challenge unusual items or year on year movements in the balances.

QUESTIONS AND OBJECTIONS

Should any arise, time spent dealing with questions and objections will be billed separately under the *Code* audit fee. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

ASSUMPTIONS

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, to an adequate standard, and we are able to place full reliance on this work
- there are no significant changes to your main financial systems or internal controls
- you will provide the information requested in our records required listing in accordance with agreed deadlines and that there will be no significant departures from the timetable
- 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 Audit Commission or National Audit Office instructions or guidance.

The fee assumes efficient co-operation as set out above and is set at the minimum level to carry out the audit.

Subject to prior approval by the Audit Commission, we reserve the right to increase fees should the above assumptions not be met or where we encounter unexpected problems, or issues arise, that cause significant additional work. Time spent dealing with problems or matters arising are usually that of senior people and hence the cost will often, necessarily, be disproportionate to the original fee.

BILLING ARRANGEMENTS

The *Code* audit fee will be billed as £44,460 in September 2012, £22,230 in December 2012, and £22,230 in March 2013.

Fees for certification of grants and returns will be billed upon completion of each relevant return.

Appendix A – Risk assessment

Audit risk identified from planning	Area and assertions	Audit response
FINANCIAL STATEMENTS		
<p>1 Management override</p> <p>ISA (UK&I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities.</p>	<p>Financial statement level risk across all account headings and assertions</p>	<p>We are required to respond to this risk by testing the appropriateness of journal entries and other adjustments made in the preparation of the financial statements.</p> <p>We will review accounting estimates for evidence of possible bias and obtain an understanding of the business rationale of significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual.</p>
<p>2 Revenue recognition</p> <p>ISA (UK & Ireland) 240 requires us to presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.</p>	<p>Occurrence, accuracy, completeness and cut-off of income</p>	<p>We will substantively test an extended sample of revenue items to ensure that accounting policies have been correctly applied in determining the point of recognition of income and that income is completely and accurately recorded.</p>
<p>3 Housing Revenue Account reform</p> <p>CIPFA's guidance on Housing Revenue Account reporting has been amended to reflect the new self financing arrangements including the abolition of the HRA subsidy (and funding through the Major Repairs Allowance), and new capital accounting requirements to reflect the difference in the depreciation charge and a notional major repairs allowance to manage the impact on rents.</p>	<p>Accuracy and completeness of HRA and capital finance entries</p>	<p>We will review HRA accounting transactions affected by the self financing requirements and the appropriate presentation in accordance with the CIPFA guidance.</p>

Audit risk identified from planning	Area and assertions	Audit response
<p>4 Heritage asset valuations</p> <p>The Council has included valuations for the Towner art collection based on the last full valuation obtained in 1992 and adjusting by RPI each year for insurance purposes. The Council has agreed to obtain an up to date valuation for all of its heritage assets during 2012/13 to ensure the valuation for each type of heritage asset remains appropriate.</p>	<p>Valuation of heritage assets</p>	<p>We will review the assumptions used by management, including advice provided by appropriate external valuers, in estimating the valuation of significant heritage assets.</p>
<p>5 Municipal Mutual Insurance (MMI)</p> <p>MMI was recently subject to a legal ruling regarding a claim for mesothelioma that confirmed that it remains responsible for liabilities that existed at the time of exposure, rather than from the time the symptoms start to develop. There is an expectation that MMI will now be subject to many similar claims and has indicated that the scheme of arrangement will need to be triggered.</p> <p>The Council will need to consider if the judgement creates greater certainty about the likelihood of their liability crystallising and whether it should therefore report amounts as a provision within the financial statements.</p>	<p>Existence, completeness and valuation of provision</p>	<p>We will review the advice obtained by the Council and the assumptions to support amounts estimated to be repaid to MMI.</p>
<p>USE OF RESOURCES</p>		
<p>6 Medium Term Financial Strategy</p> <p>Government continues to reduce funding for local government over the Spending Review period, and combined with additional pressures arising from demographic and other changes, will have a significant impact on councils. Changes to the arrangements for funding council tax support and the business rate retention scheme brings added uncertainty.</p>	<p>Financial resilience</p>	<p>We intend to review progress towards the Council's Sustainable Service Delivery strategy and the new Future Operating Model in 2012/13. We will also consider the Council's proposals to identify further savings required, and the medium term financial strategy to assess how well it is addressing these pressures.</p>

Audit risk identified from planning	Area and assertions	Audit response
<p>7 Investment in infrastructure plans</p> <p>The Council has an ambitious programme to invest in infrastructure, broadband roll out and housing in order to promote economic growth and well being across the borough. While many of these projects are at the development stage, approvals could see progress made at a pace.</p>	<p>Securing economy, efficiency & effectiveness</p>	<p>We intend to review developments in the Council's capital and investment programmes and to assess the impact that such investment is likely to have in delivering the Council's strategic priorities.</p>
<p>8 Managing the transfer of waste management services</p> <p>A partnership with three other councils in East Sussex is now in place to secure the procurement of waste management services across four districts. Resources are being pooled to maximise the procurement savings available to all councils involved.</p> <p>Eastbourne is due to implement the changes required by the partnership, including a new waste contractor, in April 2013.</p>	<p>Securing economy, efficiency & effectiveness</p>	<p>We will discuss with management how the new contract is progressing and the developing arrangements for future delivery. We will ensure such work is coordinated across all of the councils involved in the new contract.</p>