

Robert Palmer
Director of Finance and ICT
Epping Forest District Council
Civic Offices
High Street
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Our ref: 4008927/2009-10/RSB/LJC

15 September 2010

Dear Bob

Financial statements risks 2009/10 update

Auditing standards require that we bring to your attention any additional or special audit procedures in response to areas of "significant risk", such as a weakness in controls or areas requiring a higher degree of estimation by management.

We reported our updated risk assessment to you in the Annual Audit Plan 2009/10 issued in December 2009. We have since undertaken a more detailed assessment of risk following the completion of our interim review of financial controls, review of the finalised SORP 2009 and review of the Council's draft financial statements. This most recently updated risk assessment identified the following additional significant financial risks that we now need to notify to you:

Risk identified from planning	Planned audit response
<p>Preliminary analytical review: There is a risk of material misstatement within the followings areas of the accounts as a result of unexpected and unsubstantiated intolerable variances being identified from our preliminary analytical review:</p> <ul style="list-style-type: none"> • Benefits income and expenditure • Creditors 	<p>Benefits – The benefits reconciliation between Academy and Cedar will be reviewed at final accounts in more detail, by lowering the level at which we would select reconciling items for testing.</p> <p>Creditors – To ensure all expenditure has been recorded within expenditure and creditors, increased samples sizes will be used for our creditors cut off testing.</p>

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Our updated risk assessment also included review of risks previously reported to you and we no longer consider the following to be a significant risk:

Risk reported in the Audit Plan	Reason for removal
Property management system: A new property management system is being implemented during the year 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.	The property management system was not fully operational at the year end and has not been used to produce the financial statements.

The changes in the significant risks outlined above do not have a net impact on the audit fee, which therefore remains at £145,290, plus VAT, as notified to you in both the Audit Fee Letter issued in April 2009 and the Annual Audit Plan issued in December 2009.

If you or the members of the Audit & Governance Committee have any questions about the content of this letter, please do not hesitate to contact me on 020 7065 0497 or Lisa Clampin on 01473 320716.

Kind regards
Yours sincerely



Richard Bint
Partner
PKF (UK) LLP

cc. Councillor Andrew Green, Chair of the Audit & Governance Committee