
Annual Audit Letter 2011/12

Epping Forest District Council

OCTOBER 2012



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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.

[Local Government Code of Audit Practice 2010](#)

[Statement of Responsibilities of Auditors and Audited Bodies](#)

Executive summary

This Annual Audit Letter summarises the findings of the work we have completed in respect of the year ended 31 March 2012.

SUMMARY OF HIGH LEVEL AUDIT ASSURANCES

✓ Financial statements

- The financial statements give a true and fair view of the Council's financial affairs and income and expenditure for the year and were properly prepared in accordance with the 2011 Code of Practice on Local Authority Accounting in the United Kingdom.
- The Annual Governance Statement was not misleading or inconsistent with other information of which we were aware.

✓ Internal control

- The significant financial systems are generally adequate for preparing the financial statements.
- One deficiency in internal control, within the housing and council tax benefit system, was identified and reported.
- We were able to rely on the work of Internal Audit.

✓ Whole of Government Accounts

- There were a large number of notable differences between the Whole of Government Accounts consolidation pack and the audited financial statements, not all of which resulted from audit amendments to the financial statements. These were corrected in the final Consolidation Pack.

✓ Use of resources

- We were able to satisfy ourselves that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.
- We issued an unqualified value for money conclusion.

Our detailed findings and recommendations were reported to Management and the Audit and Governance Committee in our Annual Governance Report to Those Charged with Governance (September 2012).

Introduction

THE PURPOSE OF THIS LETTER

The purpose of this Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to the Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public.

The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

RESPONSIBILITIES OF THE AUDITORS AND THE COUNCIL

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.

As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

SCOPE OF THE AUDIT

Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council's financial statements
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money).

REPORTING THE AUDIT

We provided reports to "those charged with governance" (the Audit and Governance Committee) and management on the findings of the audit focussing on key issues regarding internal control, financial governance, accounting arrangements and use of resources. We aim to provide management with clear recommendations to assist with governance and service improvements that will add value to the audit.

Reports issued during the year were:

- Audit Fee Letter issued April 2011
- Annual Audit Plan issued January 2012
- Letter to the Chair of the Audit and Governance Committee (significant deficiencies in internal control) issued August 2012
- Annual Governance Report to those charged with governance issued September 2012
- Annual Audit Letter issued October 2012
- Grants and Certification Work (2010/11 returns) issued February 2012.

ACKNOWLEDGEMENT

Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

Key findings

ABOUT THE COUNCIL

The Council serves a population of around 123,000, with about half living close to its boundary with London, and there are six main centres within the 131 square miles of this green and rural district.

The Council comprises 58 elected Members representing 32 wards. It employs approximately 520 full time equivalent staff, and spends approximately £108m per annum (excluding the £185m HRA self financing spend incurred in 2011/12), providing a range of public services to the residents of the District. The Council's spend is funded by Central Government Grants, Council Tax, fees and charges (including housing rents) and other sources of income.

Further information on the activities of the Council is detailed in its eAnnual Reports and the Corporate Plan 2011-2015 which are publicly available on the Council's website at <http://www.eppingforestdc.gov.uk>.

FINANCIAL STATEMENTS

We issued an unqualified true and fair opinion on the financial statements on 28 September 2012. Our opinion confirmed the financial statements gave a true and fair view of the Council's financial affairs at 31 March 2012 and of the income and expenditure recorded during the year then ended.

We did not identify any material errors within the financial statements that required correction. Immaterial misstatements ranging from £106,811 to £620,000 were identified and corrected during the course of the audit, the majority of which related to disclosure corrections made to achieve compliance with the Code of Practice on Local Authority Accounting 2011/12. These matters were reported in detail in our Annual Governance Report (September 2012).

There were seven uncorrected misstatements reported to Those Charged with Governance. Overall, the net impact on the financial statements should these have been corrected would have been to reduce expenditure and net assets by £115,000. Members accepted that these misstatements would remain uncorrected on the basis that their impact was not significant to the accounts.

There was one other matter of significance discussed with management and reported to Those Charged with Governance which was in respect of a significant change made to the useful economic lives of the Council's housing stock components and a resultant material reduction in the annual depreciation charge. We concluded that the change was an enhancement to the Council's methodology for recording and calculating information relevant to the depreciation charge, and had been properly calculated.

Annual Governance Statement

We were satisfied that the Annual Governance Statement was not inconsistent or misleading with other information we were aware of from our audit of the financial statements.

INTERNAL CONTROL

The Council's significant financial systems were generally adequate as a basis for preparing the financial statements although one deficiency in the housing and council tax benefit system was identified and reported to Those Charged with Governance. This matter was also identified and reported by Internal Audit, upon whose work we were able to rely in discharging our audit responsibilities.

WHOLE OF GOVERNMENT ACCOUNTS

The Whole of Government Accounts Consolidation Pack had a number of notable variances from the financial statements, not all of which were as a result of amendments arising from the audit of the financial statements.

These differences were corrected in the final version of the Consolidation Pack submitted to the National Audit Office. We issued our assurance statement, stating that the final Consolidation Pack was materially consistent with the audited financial statements, on 5 October 2012.

USE OF RESOURCES

Financial resilience

Our financial resilience work has considered the Council's arrangements for financial governance, financial planning and financial control, including improvements in arrangements over the prior year.

The Council has maintained its good track record of successful financial management arrangements, achieving its savings, building up general fund reserves and maintaining housing revenue account reserves at a suitable level in 2011/12.

The Council is on track to deliver its 2012/13 budget and although its medium term financial plan forecasts that it will be necessary to utilise reserves during 2013-2017 it is estimated that usable reserves at the end of this period will still be in the region of £7.7m. This is significantly more than the minimum level of reserves necessary to comply with its own financial management policies.

Challenging economy, efficiency and effectiveness

The Council has continued to review and consolidate its baseline arrangements for challenging and securing value for money during 2011/12. The arrangements operated during the year remain adequate. Performance management and risk management arrangements that support the achievement of value for money are evidenced as continuing to operate as previously assessed with no contra-indicators.

The Council continued to review its benchmarked performance against its nearest neighbours. We expect that any resultant in-depth studies completed in 2012/13 to challenge value for money will be driven by the outcomes from the various internal and external reviews undertaken in the pursuit of improved value for money outcomes. During 2011/12 a number of efficiency savings have been achieved through partnership working arrangements, including joint procurement.