



EPPING FOREST DISTRICT COUNCIL

Annual Audit Letter 2013/14

22 October 2014

EXECUTIVE SUMMARY

Background

This Annual Audit Letter summarises the key issues arising from the work that we have carried out during the year. It is addressed to the Council but is also intended to communicate the significant issues we have identified to key external stakeholders and members of the public.

Responsibilities of auditors and the council

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.

Our responsibility 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 Statement of Accounts
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to review and report on the Council's Annual Governance Statement, Whole of Government Accounts (WGA) submission, whether we have exercised our statutory powers under the Audit Commission Act 1998 in any matter, and our grant claims and returns certification work.

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 audit.

BDO LLP
22 October 2014

STATEMENT OF ACCOUNTS

1

We issued an unqualified true and fair opinion on the financial statements on 30 September 2014.
No material misstatements were identified during the audit.
We noted one area where the control environment could be strengthened relating to the monthly reconciliations between the housing rents system and the general ledger.

USE OF RESOURCES

2

We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
We issued an unqualified value for money conclusion on 30 September 2014.

OTHER MATTERS

3

We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with Delivering Good Governance in Local Government (CIPFA / SOLACE).
The Council's WGA is below the threshold for review and we are required only to review the total amounts included in the Data Collection Tool for property, plant and equipment and for the net pension liability. We confirm that these reported totals are consistent with the audited financial statements.

GRANT CLAIMS AND RETURNS CERTIFICATION

4

We have completed our review of the Housing Pooled Capital Receipts return, which resulted in one adjustment. Our work on the Housing Benefits subsidy claim for 2013/14 is in progress.
We will report the findings from this work in January 2015.

STATEMENT OF ACCOUNTS

1

OPINION

We issued an unqualified true and fair opinion on the financial statements on 30 September 2014.

Financial performance

The Council reported a surplus on the provision of services of £27.7 million.

After adjusting for items in the Movement in Reserves Statement, the Council reported a surplus on the General Fund of £596,000 before transfers to earmarked revenue reserves of £382,000. The HRA reported a surplus of £32.3 million.

Financial statements

The following misstatements were identified and corrected during the audit:

- Following approval of the draft statement of accounts and their submission for audit, the Council were notified by Essex Pension Fund that, during the preparation of the pension disclosures for 2013/14 the value used for the investment return had been understated. Following receipt of the updated actuarial report, management have amended the financial statements for the revised values, which has resulted in a reduction of £496,000 in the pension liability recognised in the balance sheet in the final published statements.

One remaining misstatement was identified that was not corrected in the final published financial statements:

- Our testing identified an amount of £5,000 which had been recognised as income when it should have been included within deferred income. We estimated a value for the impact of this error rate on the whole of the population. This resulted in a worst case projected misstatement of £115,000, but a more detailed analysis would reduce this figure.

The overall impact of correcting for this remaining misstatement would result in the Council reporting a worst case scenario of a £115,000 lower surplus for the year. We consider that this misstatement did not have a material impact on our opinion on the financial statements.

Internal controls

We noted a one area where the control environment could be strengthened:

- Monthly reconciliations between the housing rents system and the general ledger had not happened during the year.

Internal audit has reported that there have been improvements in the above control since our work and that this issue have been addressed.

Management has agreed to review and strengthen this internal control.

USE OF RESOURCES

2

CONCLUSION

We issued an unqualified value for money conclusion on 30 September 2014.

Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance to auditors. This is based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience. The focus of the criteria is that the Council 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 has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The focus of the criteria is that the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We draw sources of assurance relating to their value for money responsibilities from:

- the Council's system of internal control as reported on in its annual governance statement
- the results of the work of the Commission, other inspectorates and review agencies
- any work mandated by the Commission
- any other locally determined risk-based value for money work that auditors consider necessary to discharge their responsibilities.

We have reviewed the Council's arrangements against risk indicators and key issues facing the sector including the Government's spending review, funding over the medium term, risks arising from welfare reform, and risks from the localisation of business rates.

We also review the Council's relative performance against the VfM Profile Tool and Financial Ratios Analysis Tool produced by the Audit Commission, issues arising from VfM Briefings provided by the Audit Commission, and the key assumptions in the Medium Term Financial Strategy.

Financial resilience

The 2013/14 final published accounts report that the Council has achieved an underspend of £373,000 against the revised budget for 2013/14 and has recognised an increase of £7.6 million in its usable reserves (comprising the general fund, earmarked reserves, housing revenue account, capital receipts reserve, major repairs reserve and capital grants unapplied) when compared to the closing balances in 2012/13.

The Council has set a balanced budget for 2014/15 and had identified required savings prior to the start of the year. From our review of current documentation, the Council is on track to deliver its 2014/15 budget. The Council also has a good track record of achieving budgets and successful financial management arrangements have put the Council in a relatively strong position of having built up notable levels of funds and reserves to provide support during the continuing period of financial pressures.

The medium term financial plan forecasts that it will be necessary to utilise reserves until 2017/18. However, at the end of this period it is estimated that revenue reserves will still be approximately £7.5 million, which is more than the minimum level of reserves necessary to comply with its own financial management policies.

The Council already outsources a number of services in order to achieve savings and has been actively reviewing the on-going value for money (VFM) of these arrangements. This includes a retendering exercise in relation to the waste contract, where annual savings of over £400,000 have been realised.

Challenging economy - efficiency - effectiveness

The Council has continued to review and consolidate its baseline arrangements for challenging and securing value for money during 2013/14. The arrangements operated during the year remain adequate. Business plans continue to outline annual value for money considerations and implications for each service and include benchmarking comparisons where appropriate.

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 makes use of consultation, option appraisal and partnership working to assist in achievement of savings and delivery of improved services.

OTHER MATTERS

3

REPORT BY EXCEPTION

We have no other matters to report.

Annual Governance Statement

We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with Delivering Good Governance in Local Government (CIPFA / SOLACE).

Whole of Government Accounts

The Council's WGA is below the threshold for review and we are required only to review the total amounts included in the Data Collection Tool for property, plant and equipment and for the net pension liability. We are required to confirm whether or not these reported totals are consistent with the audited financial statements.

Our review identified one difference, which we have reported to the National Audit Office. This was in respect of the pension liability recognised in the final published accounts was £496,000 lower than the corresponding total in the Data Collection Tool

GRANT CLAIMS AND RETURNS CERTIFICATION

4

CERTIFICATION WORK

The 2012/13 Housing and Council Tax Benefit subsidy claim was subject to qualification.

Certification findings 2012/13

We presented our most recent Grant claims and returns certification report in February 2014, which included the results of the audited returns for 2012/13. We certified 3 returns amounting to over £80 million.

No amendments were made to the national non-domestic rates return or the pooled housing capital receipts return and neither were subject to qualification.

The housing and council tax benefit subsidy claim was amended resulting in a decrease of £5,652 in the amount payable to the DWP. We also issued a qualification letter as a result of the errors identified by our testing. In our 2012/13 grant claims and certification report, we made the following recommendations relating to the housing benefit and subsidy return:

- Investigate any differences arising from the completion of the subsidy reconciliation prior to claim submission
- Carry out refresher training for staff that specifically covers the input of rent liability and the treatment of eligible rent and tax credits.

Regarding the first recommendation, management noted that the tight timescale for submitting the claim means that pursuing small differences on the reconciliation is not always an efficient use of resources. Management agreed to implement the second recommendation. We will include further details on the progress against these recommendations in our 2013/14 Grant claims and returns certification report (to be issued in January 2015).

Work in progress for 2013/14

Following the introduction of local business rate retention, we are no longer required to certify the national non-domestic rates return.

We have completed our review of the Housing Pooled Capital Receipts return and this resulted in one adjustment. This adjustment has not affected any amounts due to or from the Council.

Our work on the Housing Benefits subsidy claim for 2013/14 is in progress.

We will report the findings from this work in January 2015.

APPENDIX

Reports issued

We issued the following reports in respect of the 2013/14 financial year.


| REPORT | DATE |
|---|----------------|
| Planning letter | April 2013 |
| Grant Claims and Returns Certification Report | January 2014 |
| Audit Plan | April 2014 |
| Final Audit Report | September 2014 |
| Annual Audit Letter | October 2014 |

Fees update

We reported our original fee proposals in our Audit Plan issued in April 2013. Our fees to date and any variance to the original proposal are shown below.

| AUDIT AREA | PROPOSED FEES £ | FEES UPDATE £ |
|-------------------------------|-----------------|------------------------|
| Scale fee | 85,329 | 85,329 |
| Certification work | 28,100 | <i>(note 1)</i> 24,884 |
| Total fees for audit services | 113,429 | 110,213 |

Note 1 - Following the publication of our Audit Plan, the Audit Commission confirmed a 12% reduction in the scale fee following the cessation of council tax benefit and the corresponding reduction in work required on the housing benefit subsidy return. Our work on the audit of the housing benefit subsidy return for 2013/14 is in progress and we will report the findings from this work and the final fees separately.



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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