



Epping Forest District Council

Update on the audit and analysis of additional costs relating to the 2018/19 audit

Update to the Audit & Risk Committee

Conclusion on our Audit

When we presented our report to the Audit and Risk Committee on 12 September 2019, we identified that there were a number of matters outstanding. No new matters have arisen since that date. This report provides an update on those matters. To date, no further adjustments, disclosure deficiencies or control recommendations have been identified in addition to the ones reported to you within our previous report.

In terms of outstanding items, the below remain key outstanding deliverables –

Property Valuation – We are awaiting managements detailed assessment to support the judgement that a number of operational properties were not revalued at the year end on the basis that they had not moved materially in value. Once received, our valuation experts will review this information.

We have also raised queries on the valuation amounts used when recording the properties which received a full valuation, as it varies from the valuation presented in the valuation reports.

Recharges Adjustment – As communicated in our previous paper, an adjustment was identified in regards to expenditure being double counted through the expenditure recharges mechanism. We have received managements workings in regards to this, but have outstanding queries in regards to the completeness of the amounts identified.

Cash – There is 1 bank account whereby we have requested a breakdown of the reconciling items in order to reconcile the amounts recorded in the ledger, this is outstanding.

Adoption of IFRS 9 & IFRS 15 – We are yet to receive managements assessment of these new accounting standards introduced in the year.

CIES Mapping – We are yet to receive a breakdown which reconciles the account codes in the trial balance to the '*income and expenditure by nature*' note. Until we receive this, we are unable to finalise our testing of the income statement.

Grant Income – We have been unable to reconcile the DWP income and balance sheet position to the grant form and bank statements provided by management. We have raised this query with management.

Financial statements – We await the finalised financial statements updated for the adjustments identified, including the prior year misstatements which are currently not reflected in the prior year.

Please note the above is a summary of the key items outstanding but is not an exhaustive list. In particular, we would highlight that all remaining procedures will be subject to our internal quality control and review processes.

Our additional costs and fee proposal

As we outlined in our final report to the Audit & Risk Committee in September 2019, additional cost was incurred in the performance of the audit of the 2018/19 financial year. Per below, these hours have been applied against the rates outlined in the PSAA terms of appointment to provide a cost of £51,930. We are proposing additional billings of £40,000.

The additional time reflects the significant delays in completing the audit process, which is a result of a number of factors, including, but not limited to:

- Delays in the delivery of supporting working papers for the financial statements from management.
- Delays in receiving initial information and schedules, as well as responses to subsequent audit queries, resulting in significant delays in progressing the audit. This has been driven primarily by weaknesses in arrangements for the preparation of the statement of accounts and supporting work papers and the loss of key members of staff within the finance team.
- Significant amount of control deficiencies and errors identified, including two errors requiring a restatement of the prior year financial statement balances.
- Financial statements received were substantially incomplete and were not, in material respects, compliant with the requirements of the CIPFA code.
- The audit team, at the request of management, being asked to leave site and return at a later date once adequate arrangements have been put in place to complete the audit. This occurred multiple times, despite the original timeline for completion being agreed in advance of the year end process.

Additional hours incurred to date has been 700 hours, whilst we anticipate another 150 hours are required to complete the audit upon receipt of the remaining outstanding information. The total additional hours will therefore be 850.

Additional Hours Incurred:	Additional hours:	PSAA rate per hour:	Calculated cost:	Actual additional fee:
Partner	40	£132	£5,280	-
Senior Manager / Manager	330	£73	£24,090	-
Senior Auditor	480	£47	£22,560	-
Total:	850	-	£51,930	£40,000

Responsibility statement

This report should be read in conjunction with the "Final Report to the Audit Committee" circulated to you for the audit and governance committee meeting on the 12th September 2019 and sets out an update on those audit matters of governance interest which came to our attention during the audit and were outstanding at the time of our final report or have arisen since that date. Our audit was not designed to identify all matters that may be relevant to the board and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Audit & Governance committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Deloitte LLP

15 October 2019



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