

# Annual Audit letter for East Hertfordshire District Council

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**Year ended 31 March 2014**

October 2014

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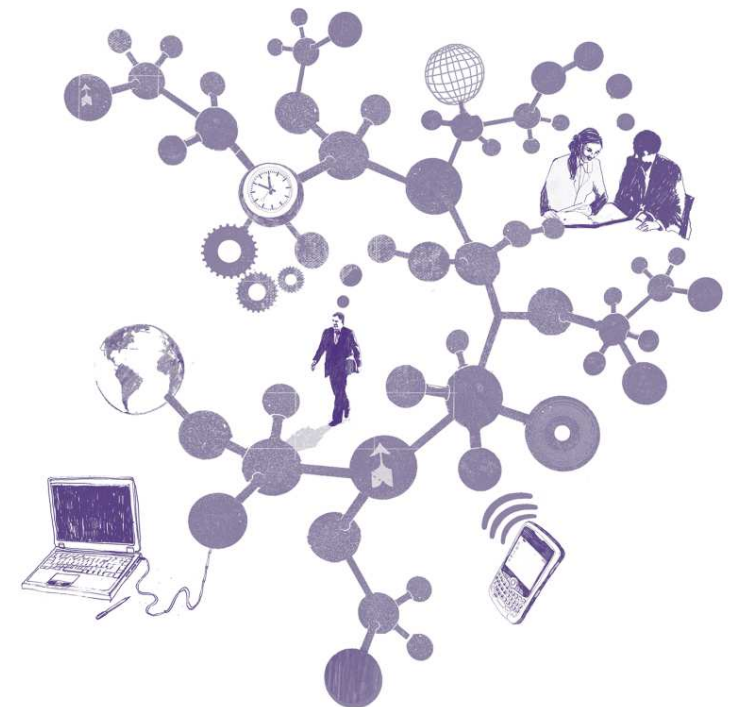
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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at East Hertfordshire District Council for the year ended 31 March 2014.

The Letter is intended to communicate key messages to you and your external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we presented to the Audit Committee on 8 April 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September 2014 to your Audit Committee. The key messages reported were:

- the financial statements and supporting working papers were provided on time and were of a consistently high standard;
- you may wish to consider de-cluttering your accounts in future years;
- you may wish to consider updating asset revaluation procedures in light of changes to the CIPFA Code in this area.

We issued an unqualified opinion on your 2013/14 financial statements on 29 September 2014, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of your financial position and of the income and expenditure recorded by you.

# Key messages

<b>Value for Money (VfM) conclusion</b>	<p>We reported our findings arising from our value for money conclusion audit in our Audit Findings Report on 24 September 2014. The key messages reported were:</p> <ul style="list-style-type: none"><li>• Your medium-term financial strategy (MTFS) remains robust and supports decision-making by quantifying the potential budget gap from 2016/17. You have identified areas for further development to enhance your MTFS.</li><li>• You should continue to use your budget challenge process to:<ul style="list-style-type: none"><li>• Deliver a robust savings plan which addresses future budget gaps</li><li>• Ensure that reserves remain within the range set in your policy.</li></ul></li></ul> <p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>Our opinion confirms that, on the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which you prepared to support the production of Whole of Government Accounts. We reported that your pack was consistent with the audited financial statements.</p>
<b>Certification of grant claims and returns</b>	<p>Our audit of the housing benefits grant claim is in progress. We will report to your Audit Committee the final fee for this work.</p>
<b>Audit fee</b>	<p>Our audit fee for 2013/14 was £69,775, excluding VAT. This fee was £900 higher than the previous year and reflected additional work required in respect of material business rates balances. However, this increase is likely to be smaller than the reduction in the grant certification fee, which we are able to reduce as auditors are no longer required to certify the NDR3 claim. Overall, the net position is likely to be a reduction in your total audit fees.</p> <p>Further detail is included within appendix B.</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response / due date
1.	<p>Review of your financial statements identified disclosures that are no longer mandatory requirements under CIPFA's Code.</p> <p><b>Recommendation:</b> Consider undertaking a de-cluttering exercise to ensure that the financial statements disclosures remain appropriate.</p>	Medium	<p>Officers will review the required disclosures and agree a way forward with the Audit Committee in line with current best practice and meeting the needs of the business.</p> <p>Due date: 31 March 2015</p>
2.	<p>You have a rolling four year programme of revaluation of property, plant and equipment. In our view, this rolling programme does not meet CIPFA's Code requirements to value items within a class of property, plant and equipment simultaneously. In the absence of further guidance from CIPFA, we would normally expect 'simultaneously' to be interpreted as within a single financial year. Your approach is similar to that adopted by many other local authorities. Furthermore, your valuer has undertaken additional work to ensure that the carrying amount of PPE does not differ materially from the fair value at 31 March 2014.</p> <p><b>Recommendation:</b> Review your approach to revaluing property assets to ensure compliance with the clarified requirements of the CIPFA Code.</p>	Medium	<p>Officers will review current processes with the property team to evaluate the resource implications of changing processes.</p> <p>Due date: 31 March 2015</p>

## Appendix A: Key issues and recommendations (continued)

No.	Issue and recommendation	Priority	Management response / due date
3.	<p>Your medium-term financial strategy (MTFS) remains robust and supports decision-making by quantifying the potential budget gap from 2016/17. You have identified areas for further development to enhance your MTFS. It is important that you deliver the planned developments to ensure that your MTFS remains robust.</p> <p><b>Recommendation:</b> Enhance your MTFS by delivering your planned developments to ensure that your MTFS remains robust.</p>	Medium	<p>Senior Management will continue to develop the Medium Term Financial Plan and Strategy to ensure a robust budget is set for 2015/16 onwards.</p> <p>Due date: 31 March 2015</p>
4.	<p>Your MTFS identifies budget gaps in future years including from 2016/17. As part of your budget challenge process you are reviewing the 2013/14 savings plan. Any lessons learnt from the budget challenge should be used to enhance your MTFS as you continue to develop a robust savings plan to address the budget gaps.</p> <p>You have exceeded the maximum level of reserves, as set out in your Reserves Policy. The 'Amber' rating reflects that you have exceeded your own policy. To preserve good practice within your financial governance, you should either consider the appropriateness of your reserves policy or, if you consider the reserves threshold to remain appropriate, put in place governance arrangements to ensure you remain within said policy. We note that you have identified the issue yourself and commenced a review.</p> <p>Recommendation: Continue to use your budget challenge process to:</p> <ul style="list-style-type: none"> <li>- Deliver a robust savings plan which addresses future budget gaps</li> <li>- Ensure that reserves remain within the range set in your policy.</li> </ul>	Medium	<p>Senior management will continue to:</p> <ul style="list-style-type: none"> <li>- Consider the impact of prior years' underspends on future budgets and challenge savings plans</li> <li>- Review the reserves policy, current level of reserves for the MTFS.</li> </ul> <p>Due date: 31 March 2015</p>

# Appendix B: Reports issued and fees

We confirm below our final fees charged for the audit and confirm that there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	68,875	68,875
Additional fee – NDR	0	900
Grant certification fee	12,600	Tbc
<b>Total fees</b>	<b>81,475</b>	<b>tbc</b>

There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for District Councils. It is anticipated that this increase will be smaller than the reduction in the grant certification fee, which we are able to reduce as auditors are no longer required to certify the NDR3 claim. Overall, the net position is likely to be a reduction in your total audit fees.

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	16 July 2014
Audit Findings Report	24 September 2014
Certification report	Work in progress
Annual Audit Letter	



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