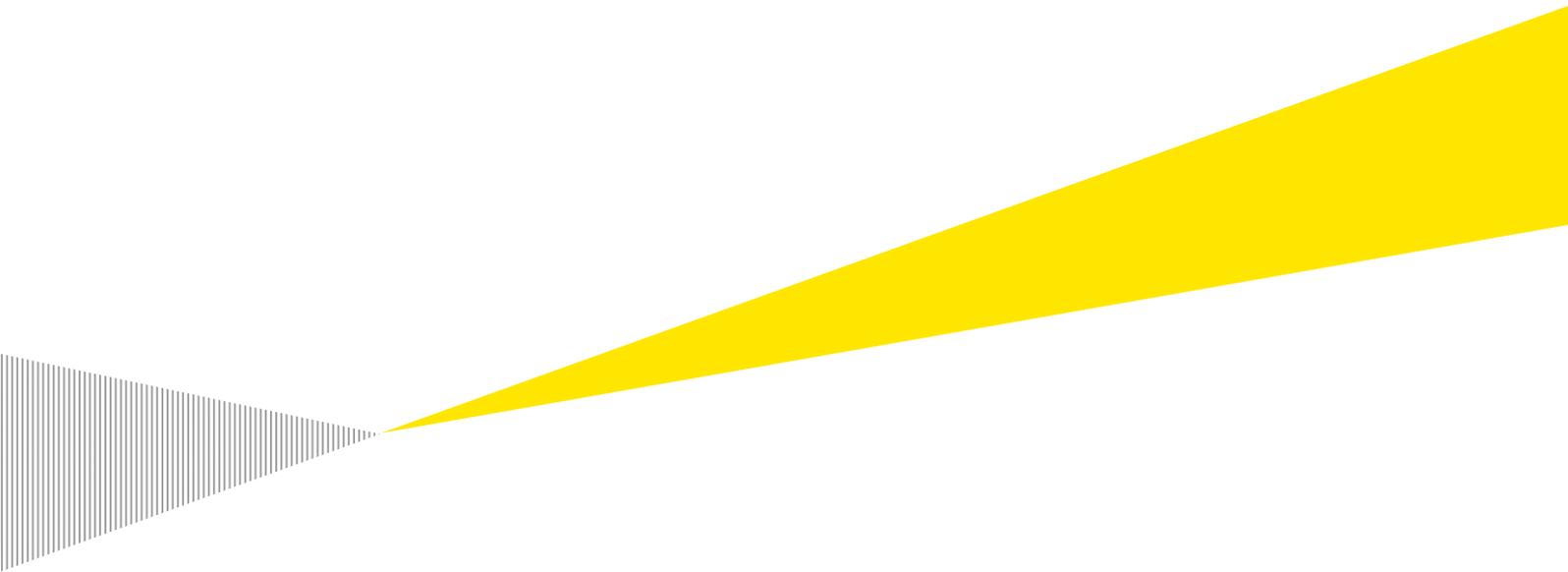


Harlow District Council

Year ending 31 March 2013

Annual Audit Letter

22 October 2013



Building a better
working world

DELIBERATELY LEFT BLANK FOR PRINTING PURPOSES

Members
Harlow District Council
Harlow Council
Civic Centre
The Water Gardens
Harlow
Essex CM20 1WG

22 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Harlow District Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Harlow District Council in the following report:

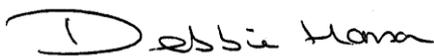
**2012/13 Audit results report for Harlow
District Council**

Issued 16 September 2013

The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank the officers of Harlow District Council for their assistance during the course of our work.

Yours faithfully



Debbie Hanson
For and behalf of Ernst & Young LLP
Enc

DELIBERATELY LEFT BLANK FOR PRINTING PURPOSES

Contents

1. Executive summary	1
2. Key findings.....	3
3. Control themes and observations	5

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 7 March 2013 and is 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.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Harlow District Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 30 September 2013 we issued an unqualified audit opinion in respect of the Council.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 30 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Council (the Audit and Standards Committee) communicating significant findings resulting from our audit.	On 16 September 2013 we issued our report in respect of the Council and presented to the Audit and Standards Committee on 25 September.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 30 September 2013.
Consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	We did not issue such a report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	We did not take such action.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of	On 30 September 2013 we issued our audit completion certificate.

Practice issued by the Audit Commission.

Issue a report to those charged with governance of the Council summarising the certification (of grants claims and returns) work that we have undertaken.

We plan to issue our annual certification report to those charged with governance with respect to the 2012/13 financial year by 31 January 2014.

2. Key findings

2.1 Financial statement audit

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 30 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good. Our audit identified a small number of numerical and disclosure errors which were corrected by management. We provided further details of the main amendments in our audit results report. None of these errors impacted on the financial position of the Council or its level of useable reserves..

The main issues identified as part of our audit were:

Significant risk 1: Implementation of a new fixed assets system

We reviewed and tested the work done by the Council to transfer their property, plant and equipment data onto the new asset register.

Where comparative figures had been amended, we reviewed the Council's documentation to ensure the amendments were appropriate.

We also tested inputs and calculations from the new system to ensure they were materially accurate.

Our work identified two amendments to the 2011/12 figures and one amendment that affected 2012/13. The errors arose following the reclassification of properties and due to the interpretation of technical accounting adjustments in the presentation of the disclosure note. They were not due to errors in the new asset register.

These adjustments only impacted the notes to the financial statements and did not affect figures on the balance sheet.

Significant risk 2: Valuation of property, plant and equipment

We reviewed the asset valuation report produced by the valuer for the Council and carried out detailed sample testing on asset revaluations to ensure the valuation had been carried out on the correct basis, and that the correct accounting treatment had been applied.

Our work confirmed that valuations had been correctly calculated and the correct accounting treatment applied.

Significant risk 3: Cash flow statement

We reviewed the supporting working papers for the cash flow statement workings and checked the accuracy of the calculations and consistency with other areas of the financial statements.

Changes of around £4.4million were made to various entries within the cash flow statement as a result of the audit. The overall net movement balanced to zero and there was no impact on comprehensive statement of income and expenditure or balance sheet.

Significant risk 4: Risk of misstatement due to fraud and error

Our testing of prepayments, accruals, provisions, journals and year end cut off has not identified any issues..

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and

- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Our audit did not identify any significant matters in relation to these issues.

We issued an unqualified value for money conclusion on 30 September 2013.

2.3 Objections received

No objections have been received in respect of the 2012/13 financial year. We did however receive correspondence from a local elector that we have considered as part of our statutory responsibilities.

2.4 Whole of government accounts

We reported to the National Audit office on 30 September 2013 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

We have not yet completed our work on the certification of grants and claims. We will issue the Annual Certification Report for 2012/13 in January 2014.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicated to those charged with governance at the Council, as required, any significant deficiencies in internal control.

We had no such matters to report.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com