

Rochford District Council
Audit results report

Year ended 31 March 2017





Private and Confidential

September 2017

Dear Audit Committee Members

We have substantially completed our audit of Rochford District Council for the year ended 31st March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 03, before the statutory deadline, and following the approval of the financial statements in September.

We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

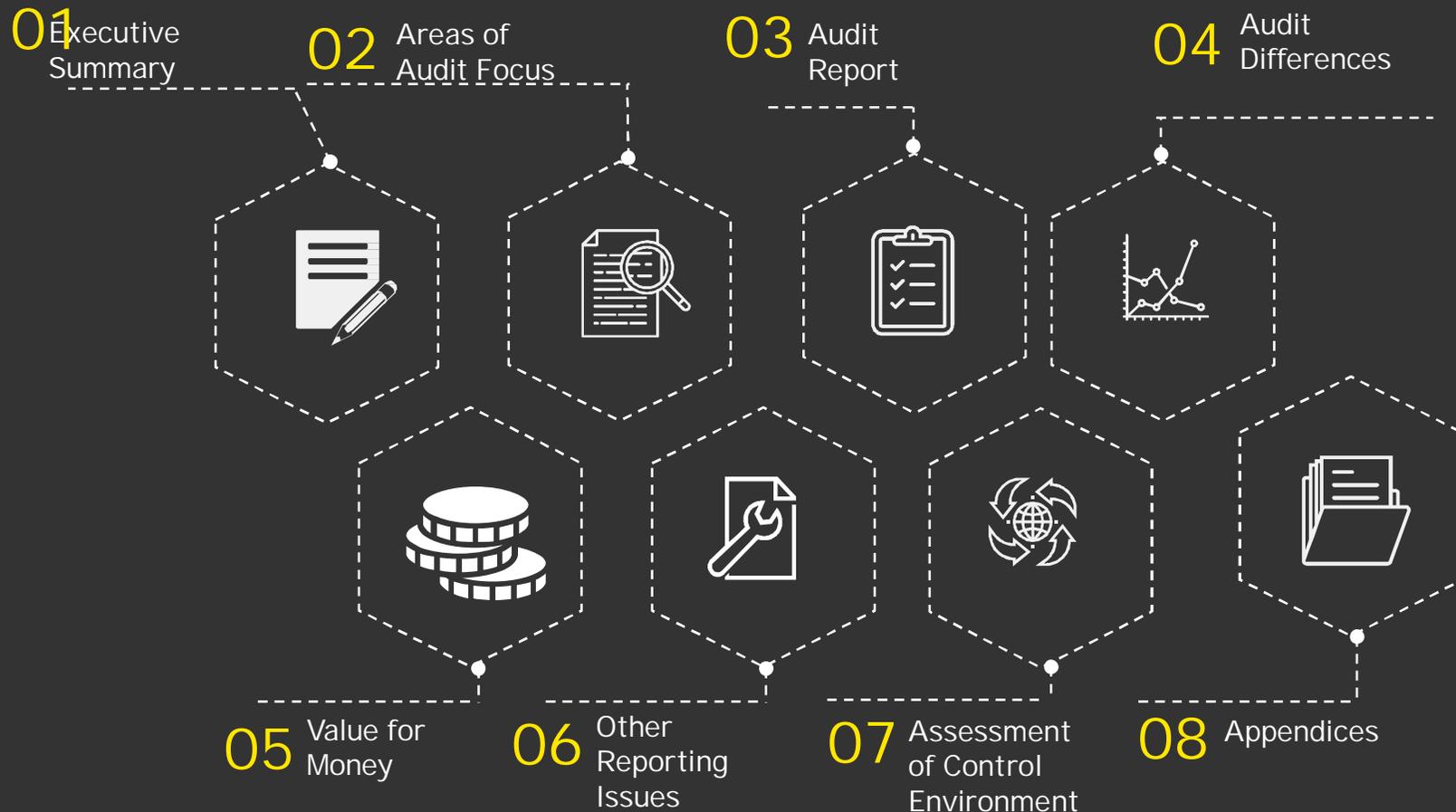
Yours faithfully,

Kevin Suter
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between 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 "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the members of the Audit Committee, other members of the Authority and senior management of Rochford District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the members of the Audit Committee, other members of the Authority and senior management of Rochford District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the members of the Audit Committee, other members of the Authority and senior management of Rochford District Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01 Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to 7th March 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality level of 0.675 million. We reassessed this using actual results for the financial year and the materiality level decreased slightly to 0.674 million. The threshold for reporting audit differences has remained constant at £34,000. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- Members' allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



Executive Summary

Status of the audit

We have substantially completed our audit of Rochford District Council's financial statements for the year ended 31st March 2017 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 03. However until work is complete, further amendments may arise:

- Final Director and Manager review of the completed audit work;
- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Receipt of the signed accounts; and
- Receipt of the signed management representation letter.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

To date, management has identified and corrected for the following errors which we have to report to you. These concerned:

- a £0.532 million reduction to debtors and expenditure because management omitted a journal recording the receipt of housing benefit overpayments reclaimed via the housing benefit system.
- a £0.138 million increase to cash and cash equivalents due to a programming error whereby the sum was treated as an item of income and expenditure rather than as the Council's system had not brought opening balances forward correctly from the prior year.

The net effect of these amendments is to reduce the balance on the General Fund Reserve from £1.736 million to £1.333 million.

Management has also corrected the following two errors, which have not impacted on the financial position of the Authority:

- a £6.691 million increase to Other Land and Buildings as management had not accounted for the land element of their revalued properties.
- a £4.107 million increase to Other Land and Buildings in 2015/16 as management had not accounted for the land element of their revalued properties in the prior year.

We have also identified a number of minor disclosure adjustments which management has corrected in the revised financial statements.

There are no uncorrected amendments.



Executive Summary

Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Rochford District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of all other key areas of focus, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Plan we identified the following significant risks:

- Sustainable resource deployment: Achievement of savings needed over the medium term; and
- Informed Decision Making: Local Authority Trading Company. This risk is in relation to the governance arrangements in place to manage to the new trading company.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

In 2015/16 we qualified the Value for Money Conclusion as the Council had not complied with Section 5 of the Accounts and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management and governance processes, During 2016/17 the Council has made the required improvements to Internal Audit. We have made two recommendations to management to:

- Complete all key audit work, for example risk management audits, by the date the Head of Internal Audit issues the audit opinion; and
- To put in place plans in place to resource and deliver Information Control and Technology and fraud coverage during 2017/18.



Executive Summary

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement and Narrative Report for consistency with our knowledge of Rochford District Council. We have recommended amendments to both the Statement and the Report in order that they both comply with the Code of Audit Practice.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to bring to your attention.



02

Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach: Risk of Fraud in Revenue Recognition

Revenue Recognition

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

What is the risk?

Risk of fraud in revenue recognition
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Having assessed the key income and expenditure streams of Rochford District Council, we judge that there is material opportunity and incentive for the incorrect classification of revenue spend as capital expenditure.



What did we do?

In order to address this risk we:

- Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.



Areas of Audit Focus

Audit issues and approach: Management override

Management override of controls

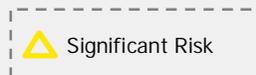
What are our conclusions?

From our work completed to date:

- We have not identified any material weaknesses in controls or evidence of material management override of controls.
- We have not identified any instances of inappropriate judgements being applied.
- We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business

What is the risk?

Risk of management override of controls
As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.



What did we do?

In order to address this risk we carried out a range of procedures including:

- Gaining an understanding of the oversight given by those charged with governance of management's processes and controls in respect of fraud;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation;
- Reviewing accounting estimates for evidence of management bias (see relevant sections below); and
- Evaluating the business rationale for any significant unusual transactions.



Areas of Audit Focus

Audit issues and approach: Financial statements presentation

Expenditure and funding analysis and Comprehensive income and expenditure statement

What are our conclusions?

Our testing performed has not identified any material misstatements in the 2016/17 statement of accounts.

We noted one casting error in the 2015/16 EFA which meant that the net expenditure did not agree to the CIES. Management has corrected this error.

No other issues were identified during our work performed in this area.

What is the risk?

Financial statement presentation
Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year, changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS). They also include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the organisation operates. We expect this to show the Council's segmental analysis.

This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code;
- Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.
- Agreement of 1617 audit adjustments through to the EFA to ensure these have been mapped correctly.



Areas of Audit Focus

Audit issues and approach: Property, Plant and Equipment Valuations

Property, Plant and Equipment Valuations

What are our conclusions?

We involved our internal specialists due to concerns over the methodology used by WHE to value specialised assets under Depreciated Replacement Cost.

However, overall the assets fall with the acceptable range provided by our own specialists.

We make recommendations that the Council consider in future years:

- The timing of its valuations; and
- Enhanced quality review of the fixed asset register and accounting, due to identified errors.

What is the risk?

Property, plant and equipment valuations
Property, Plant and Equipment (PPE) represents a material item on the Council's balance sheet. PPE is initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis. This is carried out by an expert valuer and is based on a number of complex assumptions.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Procedures to ensure we are able to rely on management's valuation experts, Wilkes Head and Eve (WHE);
- Challenging the key assumptions made by management experts;
- Testing the accounting treatment of valuations made in the year, including the assessment and treatment of impairments; and
- Contacting EY Estates to form an assessment on the values provided by WHE.

What did we find

We have a number of concerns regarding the methodology and assumptions used by WHE for those specialist buildings valued at Depreciated Replacement Cost (DRC). In particular, the calculation of obsolescence, the application of fees to gross replacement cost rather than opposed to net replacement cost, and clarity over the areas of associated developed land.

EY Estates have provided an acceptable range for asset values and WHE values sit at the higher end of these values but within our acceptable range for 2016-17. However this may not be the case in future periods.

The Council requested WHE to value assets at 1 April 2016. WHE produced a further report indicating that DRC asset values may have increased by 7% to 31ST March 2017. However the Council failed to review asset values at the year-end due to time constraints. Given that values from WHE are at the higher end of the range, we have not requested the Council to revalue DRC assets. Such movements may be avoided if the Council moved to a later valuation date.

Management had accounted for gains on revaluation incorrectly in both 2015-16 and 2016-17 requiring a prior period and current period adjustment. We recommend that the Council implement a quality review of the Fixed Asset Register as part of their close down procedures.



Areas of Audit Focus

Audit issues and approach: Pension Valuation and Disclosure

Pension Valuation and Disclosure

What are our conclusions?

Our testing performed to date has not identified any material misstatements in the pension valuation and disclosure in the 2016/17 statement of accounts.

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in Note 28 to the financial statements. However, we do consider that the methodologies used to derive the discount rate and RPI inflation assumptions to be optimistic and do not take adequate account of the specific duration of the scheme's liabilities. In future years, this could potentially lead to unacceptable assumptions.

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Essex Pension Fund.

As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.

Our testing performed to date has not identified any material misstatements in the pension valuation and disclosure in the 2016/17 statement of accounts.

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in Note 31 to the financial statements.

However, we do consider that the methodologies used to derive the discount rate and RPI inflation assumptions to be optimistic and do not take adequate account of the specific duration of the scheme's liabilities. In future years, this could potentially lead to unacceptable assumptions.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Liaising with the auditors of the Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Rochford District Council;
- Assessing the conclusions drawn on the work of the actuary, Barnett Waddingham, by the Consulting Actuary, PWC, who were commissioned by the National Audit Office, including the use of our own pensions specialists; and
- Reviewing and testing the accounting entries and disclosures made in relation to IAS19.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO ROCHFORD DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Rochford District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Balance Sheet
- Movement in Reserves Statement
- Cash Flow Statement;
- The related notes 1 to 29 to the Authority Accounts, including the Authority's Expenditure and Funding Analysis;
- Collection Fund and related noted 1-6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Rochford District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of Finance (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Rochford District Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the S151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Rochford District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Conclusion on Rochford District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Rochford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



Audit Report

Certificate

We certify that we have completed the audit of the accounts of Rochford District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
xx September 2017

The maintenance and integrity of Rochford District Council's web site is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences



Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of differences

Management noted that they had unintentionally omitted a Housing Benefit journal during their close down procedures. The journal is for £0.532m and relates to Housing Benefit Overpayments that has been recovered in 2016-17 through netting off against Housing Benefit expenditure. The journal reduces short term debtors and increases expenditure in the CIES. Management has adjusted for this error.

Our analytics completeness analysis also highlighted an opening balance error totalling £0.138m. A balance sheet code had been incorrectly programmed as Income and Expenditure meaning that the balance of £0.138k from 2015-16 was not brought forward into 2016-17. Management has corrected the programming of this code and has adjusted for this error which increases the cash balances and increases income in the CIES. This error is largely driven because the Council cannot run an opening trial balance from their system to check the brought forward balances. We recommend that management ensures that its financial systems can run an opening trial balance or implement their own manual opening balances check going forwards.

The net effect of these amendments is to reduce the balance on the General Reserve Fund from £1.736 million to £1.333 million.

In addition, management had incorrectly updated the Fixed Asset Register for the revalued building amount and not the sum of revalued land. Management has amended for this error, which also occurred in 2015/16. As a result, the asset balance in the Balance Sheet has increased by £6.691m in 2016/17 and by £4.107m in 2015/16. These errors have also impacted on depreciation in the CIES, Revaluation Gain, Cash flow Statement and Reserves.

We have also identified a number of disclosure misstatements and omissions in the notes to the financial statements during the audit.

- At Note 7 (c) management has included a new Note for Income and Expenditure by Nature to comply with the Code of Practice on Local Government Accounting;
- At Note 9 Management has recorded the £970k proceeds from Right to Buy properties as Gains from Other Capital Receipts and not Gains on disposal.
- At Note 23 Officers' Remuneration, management has now provided the correct number of senior officers within each salary band; and
- Management are unable to provide a summary of valuations by year, We have recommended that management review valuation dates to identify for those assets falling outside the five year cycle in 2017/18. We have reviewed the potential movements on material assets not valued in 2016/17 using indices. We did not identify a material misstatement in respect of these properties.

These errors do not have an impact on the financial position of Rochford District Council.

There were no uncorrected misstatements.

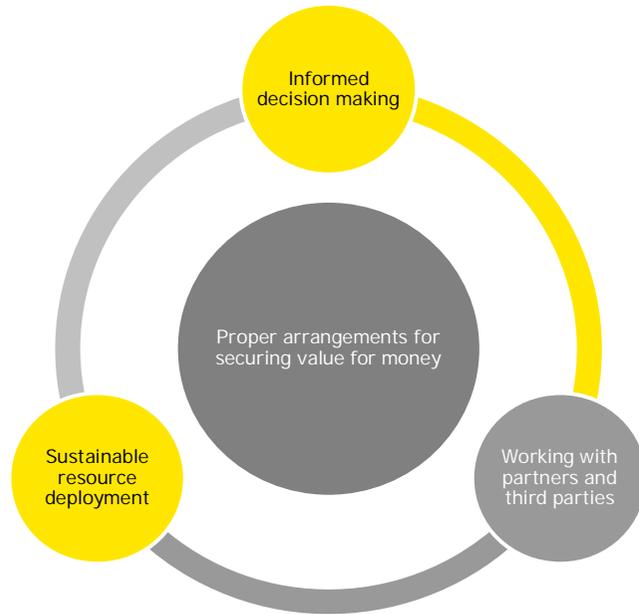


05 Value for Money



Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified two significant risks around these arrangements. The table below presents our findings in response to the risk in our Audit Plan and any other significant weaknesses or issues we want to bring to your attention.

We expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:
“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”
 Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.
 The table below presents the findings of our work in response to the risk area in our Audit Plan.

<p>Sustainable resource deployment: Financial resilience – achievement of savings needed over the medium term</p>	<ul style="list-style-type: none"> • Taking informed decisions • Deploying resources in a sustainable manner 	<p>We have undertaken the procedures as set out in our audit strategy, through our review of the Council’s Medium Term Financial Plan (MTFP), performance reports and savings plans. The robustness of any assumptions used in medium term planning; The process for setting the Council’s budget is sound. We concluded that the MTFP identifies the key assumptions expected to underpin the 2017/18 budget. However, the Plan only provides an indication of the budget gap over five years. We recommend for transparency that the MTFP shows the base budget, growth items, to show gross expenditure and the planned use of reserves and savings plans in place to profile Plan to show how the budget gap is derived. The Council’s approach to prioritising resources whilst maintaining services We judge that there are no pressing concerns that financial austerity is impacting on the Council’s performance. Of nineteen key indicators reported, only two are below target at 31 March 2017:</p> <ul style="list-style-type: none"> • The percentage of National Non-Domestic Rates collected (98.9% to 99.1% target); and • the percentage benefit overpayments recovered: (23.2% against 30.5% target) due to the focus on new claims and changes impacting on the amount identified as overpayments <p>The development of savings plans The MTFP forecasts a budget gap of £2.1 million to 31 March 2022 of savings to be achieved. The closing of the gap is dependent on the:</p> <ul style="list-style-type: none"> • Delivery of the cumulative savings plans of £1.041 million to 31 March 2021; and • Implementation of Investment and Member proposals of £1.4 million savings; • The planned use of reserves of £30,000 in 2017/18 and none thereafter. <p>Rochford has a record of achieving savings plans. Our review of the savings programme concludes the Council has arrangements to identify and deliver the savings needed. The Council assesses that 53% of plans and developments have good delivery prospects and 35% at medium risk. At present, the Council has sufficient reserves forecasting that it will maintain its General Fund at £1.1 million with earmarked reserves over the medium term at between £3 and £4 million</p> <p>Therefore, based on the known information as at the end of the financial year, we assess the Council to have adequate arrangements.</p>
<p>The Council faces significant financial challenges over the next three to four years, with a forecasted underlying budget gap of £2.1m by 2021-22.</p>		
<p>Given the scale of the savings needed, there is a risk that savings plans to bridge this gap are not robust and/or achievable.</p>		



Value for Money

Informed Decision Making: Local Authority Trading Company

In 2016/17, the Council established a wholly owned limited liability LATCo to enable trading to take place for profit. The aim is to enhance the economic wellbeing of the District and provide an income stream to help the Council to be less dependent upon Government funding. As a novel arrangement there may be risks relating to the governance arrangements for the company.

- Taking informed decisions
- Acting in the public interest, through demonstrating and applying the principles and values of sound governance

Our approach focused on the governance structure in place to manage the company. Our work reviewed the exempt June 2016 report to the Executive. The report comprised an options appraisal and business plan for externalising grounds maintenance operations into a separate Local Authority Trading Company (LATCo) called Green Gateway Trading Ltd. By this means the Council would control the company, which would undertake the essential part of its activities on behalf of the Council, but could also provide up to 19% of its services to parties other than the Council. We also took note of Internal Audit's report into the governance arrangements of the LATCo.

Our review found that the Council had:

- Established of Green Gateway Trading Ltd with regard to the Council's strategic aim of become financially self-sufficient;
- Specified the appropriate powers by which to establish the company;
- Sought appropriate advice regarding structural, operational, governance and taxation issues;
- Undertaken appropriate due diligence covering technical, legal and finance matters, in establishing the Company;
- Considered and complied with "teckal" requirements of company ownership with the company undertaking the principal part of its activities with the Council so that no external tendering of the service is required; and
- Provided a detailed options appraisal and financial projections over a six to enable Members to make an informed decision, whether or not to proceed with reference to a risk assessment covering the key areas.

We agree with Internal Audit's assessment that the Council put in place procedures to identify that turnover for Council and non-Council work is clearly identified so that the Council addresses the potential for breaching the Teckal rules at an early stage.

We recommend that management clearly documents the guidance it receives to show how it has taken that guidance fully into account in its decision-making.



06 Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/2017 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the information presented in the Annual Governance Statement and Narrative Report for consistency with our knowledge of Rochford District Council. Management has amended:

- The Narrative Report to include financial information which was previously presented in the guide to the financial statements and;
- The Narrative Report for prior year comparatives for the key performance indicators. Commentary on significant changes between years has also been included.
- The Annual Government Statement to include details of period under review and to include commentary on the five limited assurance engagements identified by Internal Audit.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. The Council is below the threshold requiring a detailed audit of the consolidation pack for Whole of Government. We had no issues to report.



Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues that would require us to make such a recommendation.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Authority's financial reporting process. This has included consideration of the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related party disclosures;
- External confirmations;
- Going concern considerations;
- Consideration of laws and regulations; and
- Group accounts requirements

We have no such matters to report.



Assessment of Control Environment



Assessment of Control Environment

Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether Rochford District Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

However, as highlighted in the report, we have recommended that management:

- ensures that its financial systems can run an opening trial balance or implement their own manual opening balances check going forwards; and
- undertake a quality review of the Fixed Asset Register as part of their close down procedures.



08 Appendices



Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to Audit Committees of UK clients. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan presented to 7 th March 2017 Audit Committee meeting
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process 	Audit Results Report presented to 26 th September 2017 Audit Committee meeting
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Rochford District Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	Audit Results Report presented to 26 th September Audit Committee meeting



Appendix A

		 Our Reporting to you
Required communications	What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority. ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit
Related parties	Significant matters arising during the audit in connection with Authority's related parties including, where applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report presented to 26 th September Audit Committee meeting
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations



Appendix A

 Our Reporting to you

Required communications	What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report presented to 26 th September Audit Committee meeting
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm’s general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	<p>Audit Plan presented to 7th March Audit Committee meeting</p> <p>Audit Results Report presented to 26th September Audit Committee meeting</p>
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	<p>Audit Plan presented to 7th March Audit Committee meeting</p> <p>Audit Results Report presented to 26th September Audit Committee meeting</p>



Appendix B

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan presented to 7th March Audit Committee meeting.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 26th September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

Description	Final Fee 2016/17	Planned Fee 2016/17	Scale Fee 2016/17	Final Fee 2015/16
Total Audit Fee – code work	To Be Confirmed	£47,657	£47,657	£52,657
Certification of Claims and Returns	To Be Confirmed	£8,520	£8,520	£8,184
Non-audit work	0	0	0	750

We have undertaken extra work as a result of:

- the findings from changes to the CIES required by the CIPFA Code of Practice on Local Authority Accounting for 2016-17; and
- WHE's assumptions for asset valuations requiring us to engage our EY Real Estates specialist team;
- Additional time and work in finding the error in the Fixed Asset Register and agreeing the corrections; and
- Delays in receipt of audit trails and information to complete the value for money conclusion.

We anticipate a scale fee variation will be necessary, which we will discuss in the first instance with the Section 151 Officer. We will update the Audit Committee on our proposed fee variation when this has concluded. Any variation to the 2016/17 scale fee is subject to approval by Public Sector Audit Appointments Limited (PSAA).

Our certification of the housing benefits claim takes place in October 2017. We will confirm the final fees charged in our certification report to be issued to the Council in December 2017.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements in 2016/17.



Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Rochford District Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty.</p> <p>However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be</p>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements



Appendix C

Accounting and regulatory update (continued)

Name	Summary of key measures 	Impact on Rochford District Council
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard, the new standard will have a significant impact for local authorities who lease in a large number of assets, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
Earlier deadline for production and audit of the financial statements from 2017/18	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>A number of authorities used 2016/17 as a dry run for the faster close timetable, however, the accounts Rochford District Council were authorised for issue by the current 30 June deadline.</p> <p>Locally we have:</p> <ul style="list-style-type: none"> • Had regular discussions throughout the year on the proposals to bring forward the closedown timetable; • Begun discussions on additional work that can be audited as part of the interim procedures for 2017/18; and • Planned a review session in October 2017 to identify further efficiencies and opportunities; and • Invited the Finance Team to an EY Chief Accountant's Forum auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.



Appendix D

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
400 Capability Green
Luton
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Rochford District Council ("The Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the Council's financial statements give a true and fair view of the financial position of the Council as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of the Council's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as those charged with governance and members of management of the Council, our responsibility for the fair presentation of Council's financial statements. We believe the Council's financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the Council's financial statements.



Appendix D

Management Rep Letter (cont.)

3. The significant accounting policies adopted in the preparation of the Council's financial statements are appropriately described in the Council's financial statements.
4. As those charged with governance and members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the Council's financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the Council's financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the Council's financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Council's financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the Council's financial statements.
3. We have made available to you all minutes of the meetings of the Council, and committees, including the Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 6 September 2017.



Appendix D

Management Rep Letter (cont.)

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Council's financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Council's financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

F. Subsequent Events

1. As described in Note 5 to the Council's financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the Council's financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement 2016/17.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Council's financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no line of credit arrangements.



Appendix D

Management Rep Letter (cont.)

I. Reserves

1. We have properly recorded or disclosed in the Council's financial statements the useable and unusable reserves.

J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the Council's financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in Council's financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
 - Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the Council's financial statements or as a basis for recording a loss contingency.

K. Purchase and Sales Commitments and Sales Terms

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the Council's financial statements.
2. At the year end, the Council had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Council (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of Property and the Pension Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates (pensions, property plant and equipment valuations)

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



Appendix D

Management Rep Letter (cont.)

2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pension liabilities appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events.

N. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

O. Expenditure Funding Analysis

1. That we have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. We confirm that the financial statements reflect the operating segments reported internally to the Council.

P. Prior Period Adjustment- Valuation of Property Plant and Equipment

1. We confirm we have amended the 2015/16 and 2016/17 financial statements to reflect revaluations not just for buildings but also for land.
2. We have restated the comparative amounts correctly to reflect the above matters in the Balance Sheet, Comprehensive Income and Expenditure Note, Movement in Reserves Statement and Cash Flow Statement as well as the related notes for Property Plant and Equipment and the Expenditure Funding Analysis and related notes. We confirm that all required amendments have been correctly reflected in the financial statements.
3. We have included the appropriate note disclosure of these restatements in the current year's financial statements.

Yours faithfully

Lesley Butcher

(Chair of the Audit Committee)

Rob Manning

(S151 Officer, Rochford District Council)

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