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## ANNUAL AUDIT REPORT 2020/21

### 1 PURPOSE OF REPORT

- 1.1 To draw the Audit Committee's attention to the 2020/21 Annual Audit Report.

### 2 FINAL REPORT TO THE AUDIT COMMITTEE

- 2.1 The Council's external auditors, Ernst & Young, are required to issue an Annual Audit Report to Rochford District Council following completion of their audit procedures for the year ended 31 March 2021.
- 2.2 The purpose of the Annual Audit Report is to communicate to Members and external stakeholders, including members of the public, the key issues arising from external audit work which should be brought to the attention of the Council. The 2020/21 Annual Audit Report is attached as Appendix 1 and is available on the Council's website for the public to view.
- 2.3 The provisional 2020/21 report, including detailed information on the audit of the financial statements, was reported to the Audit Committee on 13 December 2021. The final financial statements were signed under the delegated authority of the Chairman of Audit Committee, on 10 February 2022. This Auditor's Annual Report reflects that final position, as well as reporting additionally on the Council's wider Value for money (VFM), consistency of the Annual Governance Statement, and any requirement to issue a public interest report or use other auditor powers.
- 2.4 Below are the summary results and conclusions from the 2020/21 Auditors Annual Report.

Area of work	Conclusion
<b>Opinion on the Council:</b>	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 10 February 2022.
Going concern	We have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	We concluded that financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
<b>Reports by exception:</b>	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued a Provisional Audit Results Report to the Council in December 2021. Before the issue of our audit report on 10 February 2022, we considered whether there was a need to issue an update to this report which was presented to the Audit Committee on 15 December 2021. We concluded that, as there were no significant changes since the date of our Provisional Audit Results Report, no update was required.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.

### 3 RESOURCE IMPLICATIONS

3.1 An original scale fee of £36,696 was agreed by PSAA for the 2020/21 audit. Subsequently, EY proposed a further scale fee variation of £41,447 for reasons detailed in Appendix 1. Following representations by the Council to EY and PSAA, £14,952 of this additional fee was rejected by PSAA. The final

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scale fee, including variations, for the 2020/21 audit is therefore £63,191.

**4 LEGAL IMPLICATIONS**

4.1 Regulation 20 of the Accounts and Audit Regulations 2015 sets out that:-

1. A Committee must meet to consider the Annual Audit Letter as soon as reasonably practicable.
2. Following consideration of the letter in accordance with paragraph (1) the authority must:-
  - (a) publish (which must include publication on the authority's website) the audit letter; and
  - (b) make copies available for purchase by any person on payment of such sum as the authority may reasonably require.

**5 ENVIRONMENTAL IMPLICATIONS**

5.1 None.

**6 EQUALITY AND DIVERSITY IMPLICATIONS**

6.1 An Equality Impact Assessment has not been completed as no decision is being made.

**7 RECOMMENDATION**

7.1 It is proposed that the Committee **RESOLVES**

That the Annual Audit Report for the year ended 31 March 2021 be noted.



Naomi Lucas  
Assistant Director, Resources

**Background Papers:-**

None.

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If you would like this report in large print, Braille or another language please contact 01702 318111.

Rochford District Council

Auditor's Annual Report  
Year ended 31 March 2021

April 2022



**EY**

Building a better  
working world

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" 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 Audit Committee and management of Rochford District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and 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 Audit Committee and 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 our prior written consent.

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 Hywel Ball, 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.

Section 1

# Executive Summary



## Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
<b>Opinion on the Council:</b>	
Financial statements	Unqualified -- the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 10 February 2022.
Going concern	We have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	We concluded that financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.



## Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued a Provisional Audit Results Report to the Council in December 2021. Before the issue of our audit report on 10 February 2022, we considered whether there was a need to issue an update to this report which was presented to the Audit Committee on 15 December 2021. We concluded that, as there were no significant changes since the date of our Provisional Audit Results Report, no update was required.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.

### Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in our Provisional Audit Results Report, we were required to carry out additional audit procedures to address audit risks in relation to the significant and fraud risks and other areas of audit focus identified in our Audit Plan and Provisional Audit Results Report. As a result, we have proposed an associated additional fee which we have discussed with the Section 151 Officer. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Debbie Hanson

Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

## Purpose and responsibilities

# Purpose and responsibilities

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This report summarises our audit work on the 2020/21 financial statements

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## **Purpose**

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan dated 8 March 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its financial statements, and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit



# Financial Statement Audit

## Key issues

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

The Annual Financial Report is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 10 February 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee meeting of 15 December 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

## Significant risk

### Misstatements due to fraud or error - management override of controls

An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

### Inappropriate capitalisation of revenue expenditure

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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. Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

## Conclusion

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control. We are satisfied that journal entries had been posted properly and for genuine business reasons. There were no unusual transactions identified.

We have not identified any revenue items that have been inappropriately capitalised from our substantive testing

Continued over.

## Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p><b>Valuation of land and buildings</b></p> <p>The valuation of land and buildings represent significant balances in the Council's accounts and is subject to valuation changes. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is therefore a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.</p>	<p>We completed the procedures outlined in our audit plan and have not identified any issues.</p> <p>The procedures we completed included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▶ Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).</li> </ul>
<p><b>Pension liability valuation and disclosures</b></p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021, this totalled £27.3 million (31 March 2020 - £26 million).</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We completed the procedures outlined in our audit plan and have not identified any issues.</p> <p>The procedures we completed included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▶ Obtaining assurance from the auditors of Essex Pension Fund over the information supplied to the actuary in relation to the Council;</li> <li>▶ Assessing the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC as Consulting Actuaries commissioned by The National Audit Office and our own EY actuarial team.</li> </ul> <p>In response to the revised requirements of ISA540, the auditing standard on accounting estimates, we updated our audit approach to evaluate management's estimation process to create an auditor's estimate of the net liability. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by the Pension Fund actuary. This confirmed that the liability was not materially misstated</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Going concern disclosures</b></p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>We completed our audit work in this area, and are satisfied that the Council's use of the going concern assumption is appropriate. We reviewed the Council's disclosures within the financial statements and requested some minor amendments, which have been made.</p>
<p><b>Recognition of grant income associated with Covid-19</b></p> <p>Central Government has provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies.</p> <p>The Council needs to review each of these grants to establish how they should be accounted for. The Council needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the Council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.</p>	<p>We completed the procedures outlined in our audit plan and have not identified any issues.</p> <p>The procedures we completed included, but were not limited to:</p> <ul style="list-style-type: none"><li>▶ Testing a sample of grants to confirm whether they have been correctly assessed in terms of whether the Council is acting as principal or agent;</li><li>▶ Checking whether any conditions attached to grants impacting their recognition have been appropriately reflected;</li><li>▶ Checking that the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.</li></ul>
<p><b>Auditing accounting estimates</b></p> <p>ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates.</p>	<p>We reviewed material estimates and have not identified any issues.</p>

## Financial Statement Audit (continued)

### Audit differences

We identified a small number of minor disclosure differences in notes to the financial statements (casting, referencing, classification etc) which management agreed to amend in the final statement of accounts.

We did not identify any corrected or uncorrected differences and overall we have noted that the statement of accounts prepared by management was of a good quality.

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

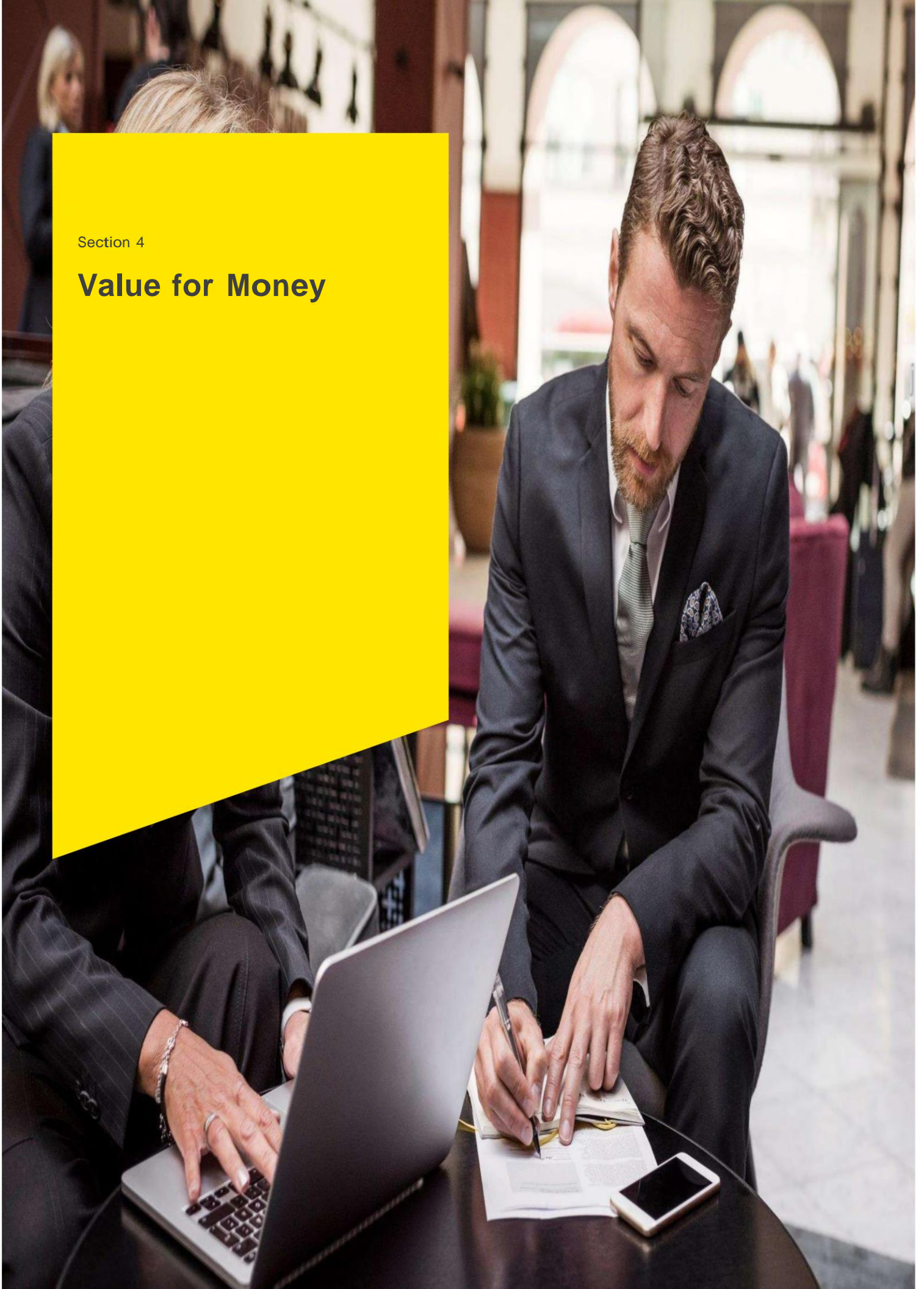
In our Indicative Audit Planning Report, we communicated that our audit procedures would be performed using a planning materiality calculated at 2% of the Council's prior year gross expenditure on provision of services. We have recalculated our materiality based on the draft financial statements for 2020/21. The basis for our materiality remains same. The table below shows our materiality amounts for planning and final audit procedures. We have undertaken our audit procedures using the materiality levels for the group as these are lower.

	(2% of gross expenditures)	Tolerable Error (TE) (75% of PM)	Differences (5% of PM)
Planning	£653K	£490K	£33K
Final audit (Council)	£686K	£514K	£34K
Final audit (Group)	£684k	£513k	£34K



Section 4

## Value for Money



# Value for Money (VFM)

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## Scope and risks

We did not identify any risks of significant weaknesses in the Council VFM arrangements for 2020/21.

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Audit Committee via our Audit Plan and Audit Results Report which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, and evaluation of associated documentation through our regular engagement with management and the finance team.

We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

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## Reporting

We had no matters to report by exception in the audit report.

We completed our planned VFM arrangements work and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

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## VFM commentary

Our VFM commentary highlights relevant issues for the Council and the wider public.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- **Financial sustainability**  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

## Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

## Financial sustainability

***How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them***

Being financially sustainable is one of the Council's Business Plan priorities. Despite continued budget constraints, the Council has put in place arrangements to manage the available resources effectively to ensure it can continue to fund high quality services. In common with most local authorities, the Covid-19 pandemic has had a significant impact on the Council's financial position in 2020/21. This has continued into 2021/22 and beyond, although the extent of the longer-term impact will depend on how quickly the wider economy recovers. Reductions in Council Tax and Business Rates collected during 2020/21 has impacted on the Council's 2021/22 financial position, although Central Government will fund a proportion of Covid related losses and allow any remaining losses to be spread over three years to help smooth this pressure. The Medium Term Financial Strategy (MTFS) projections indicate a gap between the Council's expected funding streams and its planned expenditure. Therefore, it is essential that the Council continues with its drive to transform itself to ensure it remains financially sustainable.

As part of the annual budget setting process, a budget growth/savings template is circulated and finance Business Partners and these are discussed with budget holders individually. These are collated, followed up and discussed with Portfolio Holders at Budget Challenge sessions.

## Financial sustainability (continued)

### ***How the body plans to bridge its funding gaps and identifies achievable savings***

The 2021/22 MTFS identified a budget gap of £2 million by 2025/26 which would require the Council to find recurrent baseline savings to this value by that time.

There are however several unknowns which could change the budget gap, most notably the Fair Funding Review and the Business Rates Retention Review. In addition, there remain significant risks that cost inflation could continue to rise and demand pressures could be higher than estimated based on current intelligence.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Delivery of further measures to balance the budget in future years are therefore being explored and will, to a certain extent, be dependent on the longer-term impact of Covid on the wider economy and the successful implementation of the plans already identified and in progress. The Council will therefore need to continue with its transformation ambition as set out in the Business Plan and supported by the 'Connect' programme, to identify further savings in future years. This also includes partnership working arrangements with Brentwood Borough Council, driving out best value from the waste contract, which was re-procured during 2021/22, and the delivery of efficiency savings via the Council's Asset Development and Connect Programmes.

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### ***How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities***

The Council plans its finances through an increased robustness of MTFS savings plans, including more explicit linkages to the Council's Business Plan priorities. The Council's Business Plan is structured in a way to combine and capture all of the Council's strategic plans. The Council has a credible track record of delivery of savings on which to weather such challenge and holds reserves and contingencies to help mitigate against risks and uncertainties such as Covid 19, as well as to support specific projects and grant funded work. The continued provision of adequate reserves is essential. Without these, it may be necessary to take remedial urgent action in-year to mitigate challenges that arise, which could lead to longer term consequences.

There are a series of workshops held with Leadership Teams. Statutory/non statutory services identified by budget holders and any proposed changes risk assessed through budget challenge process, in context of Council Business Plan. Impact on strategic priorities is discussed with Acting Managing Director and Leader as part of budget challenge sessions.

### Financial sustainability (continued)

***How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system***

The Council's Business Plan is structured in a way to combine and capture all of the Council's strategic plans. These are discussed as part of Leadership Teams Workshops which are then fed in through budget setting process. Strategic context is discussed with Members at regular briefings at key points in the year.

The financial plan and budget that is presented to Council each February for the following year reflects revenue, investments and capital planning. Treasury management and capital proposals are also presented to Review Committee on a regular basis. Financial plans include areas that are also reported on individually to ensure a robust financial resilience position.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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The budget is fully itemised and broken down across Council services to ensure all areas are recognised and consistent with the wider strategy and budget.

The Council makes use of partnership or other collaborative working where the added value can be determined in achieving objectives, such as use of partnership organisations to deliver stages of the Asset Development Programme or the Community Hub. In June 2021, the Council published a Statement of Intent in relation to a joint strategic partnership with Brentwood Borough Council.

In September 2020, the Council and its development partner have entered into a contract to deliver the Council's Asset Delivery Programme. This is a long-term regeneration programme that will boost the local economy and deliver enhancements in community facilities, while reducing future costs for the Council. Play spaces across the district were developed in conjunction with parish councils and partners during 2020/21. As an example, Rochford Recreation Ground play space received an investment of £55k including a £45k contribution from the Suez Communities Trust.

### Financial Sustainability (continued)

***How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.***

Budget monitoring is a continuous process and is discussed and reviewed as part of budget challenge sessions.

Wherever there is a need to meet unplanned changes, appropriate smoothing reserves are created (e.g. for Housing and Covid) to manage volatility in demand led budgets. The General Fund balance is maintained at 10% of net revenue budget in order to build in capacity to deal with any unexpected cost pressures.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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## Governance

### ***How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud***

A risk management framework is in place which includes regular reporting of risk to the Leadership Team via Quarterly Business Review meetings and to Members at the Audit Committee.

The head of Internal Audit Opinion given at year-end as part of Annual Governance Statement, which is included within the Annual Financial Report, includes an assessment of all internal audit reports and the assurance they provide over internal control environment.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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Internal audit work is carried out on anti fraud throughout the year and an overall assessment of arrangements is made as part of overall Internal Audit opinion in Annual Governance Statement.

Specific additional work was performed around Covid grants this year. During the year, the Council was responsible for administering a series of grants, with different qualifying criteria, provided by Government to support businesses in the District. Detailed risk assessments and procedures, including anti-fraud measures, were developed and the grants were processed in a timely manner. Different grant types were subject to Internal Audit review and no significant issues were identified.

The Counter Fraud & Compliance Officer also carries out targeted work across the revenue and benefit service as this is the main fraud risk area for the Council.

## Governance (continued)

### ***How the body approaches and carries out its annual budget setting process***

The Council has an integrated budget setting structure, plan and timetable in place. Although this process stays largely unchanged from year to year, the underlying strategic goals and challenges can change between years dependent on pressures and strains being faced by each department. The budget process is influenced by existing financial gaps, current financial circumstances and government announcements.

Budget challenge sessions are arranged for each department to gain a better understanding of the current and future financial position and any material changes from prior year's requirements. These challenge sessions are followed by budget setting and briefing sessions with Leadership Teams as well as Member briefing sessions.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

### ***How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.***

The Council produced quarterly formal budget monitoring reports in line with its budget monitoring timetable.

During 2020/21, these were supplemented with regular reporting to Members of Covid pressures. The Council also produced regular reports on the impact of Covid in line with Central Government information requests.

The Council has a clear performance reporting framework in place and key outputs from this are reported in the Year End Performance report within the Annual Financial Report.

In addition, quarterly Business Review meetings are held with the Leadership Team to consider management information reports across a range of areas.



## Governance (continued)

***How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.***

The Council has a long-established Constitution which together with a range of codes of conduct, policies and procedures which support informed decision making. The Council's Constitution includes guidelines on how decisions need to be made and by whom. The Council has procedures that comply with the Freedom of Information Act and required elements of the General Data Protection Regulations, such as subject access requests and publication of privacy notices. Council or committee reports are published via the Council website, and the contents are available online (wherever possible).

Major programmes such as Asset Delivery Programme (ADP) and Connect Programme have their own business cases. The Council's ADP aims to maximise the use of the Council's key strategic sites to deliver the objectives set out in its Asset Strategy. The 'Connect' Programme is a Gold Project which will report to the Executive as part of the quarterly Project Management Office (PMO) report. Any interdependencies between the 'Connect' Programme and the Asset Delivery Programme will be identified as part of the PMO reporting.

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The Council arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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The Review Committee provides a review and scrutiny function for decisions and operational procedures across the Council. This Committee sets its own workplan annually and reviews committee reports and challenges on Executive decisions. For example, the Treasury Management Strategy is agreed by Full Council and progress against the Strategy is reported to the Review Committee throughout the year.

The Council also has an Audit Committee that takes responsibility for overseeing risk management and financial control, receiving reports from, and providing challenge to, the Section 151 Officer, Internal Audit and External Audit. The Audit Committee provides specific challenge on effectiveness of the internal control environment.

### Governance (continued)

***How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).***

Compliance with legislative and regulatory requirements is monitored through various mechanisms including subscriptions to the Local Government Association (LGA), East of England LGA, Treasury and Tax advice, CIPFA.

The Essex Finance Officers Association also meets monthly and discuss strategic issues and legislative requirements.

The Council also maintains an annual declarations register which is completed by senior officers/Members and also has a Standards Committee.

The Council's Monitoring officer exercises oversight on compliance with standards

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The Council arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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## **Improving economy, efficiency and effectiveness**

### ***How financial and performance information has been used to assess performance to identify areas for improvement.***

The Council's performance reporting includes monitoring of key performance indicators (KPIs) as well as financial monitoring reports which are taken to the Executive quarterly.

The Council's Connect transformational programme aims to support the Council in achieving its business plan through more efficient processes, greater use of digital technology and new ways of working which will ultimately improve the customers experience when using Council services. Adequate training will be provided to staff to ensure their ICT skills are up to date as part of this. A dedicated Connect Transformation Programme Manager (CTPM) has been appointed.

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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The "Key Change Champions Group" (KCCG) has been working on the "Invest to Save Business Cases" which are captured and monitored through a tracker and project plan, which is monitored by the CTPM. The KCCG supports the work of the Connect programme by identifying areas for improvement.

### ***How the body evaluates the services it provides to assess performance and identify areas for improvement***

The Council has a set of KPIs, and the current year's performance is presented in Narrative Report in comparison with prior years performance.

The Corporate performance reporting framework is supported by local performance monitoring of key indicators e.g. housing performance updates, revenue & benefits performance reports, Covid-19 grants performance tables, fraud and compliance reporting. These KPIs are reviewed by the Review Committee throughout the year. Several detailed reviews of service performance were undertaken during 2020-21 in light of Covid-19 and the potential impact on performance.

## Improving economy, efficiency and effectiveness (continued)

***How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve***

Rochford is an active member of ASELA (Association of South Essex Local Authorities). It has also entered into a formal partnership with Growth and Recovery Prospectus as part of the Asset Delivery Programme. Regular board meetings are held to manage this programme, which is significant to the Council in terms of strategic importance.

The Council is also an active member of Rochford and Castlepoint Health and Wellbeing Board Partnership and is consulting on a new strategy which sets out the three-year plan to improve the health and wellbeing of residents in Castle Point and Rochford. The strategy outlines the work that the Council and partnership will do and the key areas it will be focused on, as well as the principles and approach they plan to take. The Council is also working together at a grass-roots level to make the biggest difference in our communities.

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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***How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits***

Rochford has clear procurement policies and procedures and provides training for all officers. Compliance is regularly reported at the Leadership Team quarterly Business Reporting meetings. The Council has identified that there are still some low level compliance issues which led to a 'Limited Assurance' internal audit assessment this year.

External specialist advice is sought for major procurements such as the Asset Delivery Programme, leisure contract and waste contract.

The Council also produces an annual contract monitoring report which reviews high value contracts.

A woman with blonde hair, wearing a dark business suit, is leaning on a wooden conference table. She is looking intently at a document on the table. Other people in business attire are visible in the background, also leaning on the table. The scene is set in a bright, modern office environment.

Section 5

## Other Reporting Issues

## Other Reporting Issues

### **Governance Statement**

We are required to consider the completeness of disclosures in the Council's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

### **Whole of Government Accounts**

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Council to complete this work as required once the guidance is available.

### **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### **Other powers and duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### **Control themes and observations**

As part of our work, 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 are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

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.

Appendix A

## Audit Fees



## Rochford District Council's Audit Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work. We confirm we have not provided any non-audit services.

Description	Proposed Fee 2020/21 £	Final Fee 2019/20 £	Proposed Fee 2019/20 £
Total Scale Fee - Code work	36,696	36,696	36,696
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	25,744	-	23,181
Additional fee for scope changes and specific in year risks (Note 2)	15,704	-	5,395
Final approved additional fee for 2019/20	-	16,495	-
<b>Total audit fees</b>	<b>78,144</b>	<b>53,191</b>	<b>65,272</b>

### All fees exclude VAT

**Note 1:** As reported in our Audit Plan and Audit Results Report, we do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. As a result of these factors, we proposed an increase in the scale fee of £23,181 (from £36,696 to £59,877) for 2019/20 and an increase in the scale fee of £25,744 (from £36,696 to £62,440) for 2020/21. We discussed our estimate and position on audit fees with the Assistant Director Resources (Section 151 Officer) and submitted our fee estimate to PSAA for 2019/20. We also had to undertake additional procedures in 2019/20 to address the risks due to Covid. We submitted a proposed additional fee of £5,395 to PSAA in relation to this additional work. PSAA have now determined on both elements of our proposed increases for 2019/20 and have approved an overall increase of £16,495. For 2020/21, Z. We are in a process of submitting our fee variations to PSAA.

**Note 2:** For 2020 /21, the scale fee represents the base fee, not including any additional audit work to address specific risks. Our 2020/21 audit was impacted by a range of factors, as detailed in our Audit Plan and Audit Results Report, many of which related to Covid-19, which resulted in additional work. We have quantified the additional work and its impact on our fee as £4,729. In addition, PSAA published information on 2020/21 audit fees in August 2021. This provided guidance on the range of minimum additional fees in certain areas of the audit, such as the new VFM arrangements requirements and additional work as a result of ISA540 (the revised auditing standard on accounting estimates). The above fee variation of £15,704 includes £6,000 for our work on VFM arrangements and £4,975 for our additional work on estimates.



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