
EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2008/09

1 SUMMARY

- 1.1 Attached to this report is the Council's External Auditor's Annual Audit Letter (AAL), which was sent direct to Audit Committee Members in December 2009.

2 BACKGROUND

- 2.1 The Audit Commission requires the AAL to be sent to Audit Committee Members by 31 December. The Auditing Standards under which PKF carry out their work, requires the AAL to also be presented to a formal meeting of this Committee and this is the first opportunity to do this.
- 2.2 The AAL summarises the key issues arising from the work carried out by the External Auditors, PKF, during the year. The detailed findings were reported by PKF to this Committee in September 2009 as part of the report to those charged with governance. That report in September included a number of recommendations that are being monitored and reported to this Committee separately.
- 2.3 Lisa Clampin, from PKF, will attend this meeting to present the AAL.
- 2.4 The AAL is addressed particularly to Members but is also available as a public document for stakeholders, including members of the community served by the Council.

3 RISK IMPLICATIONS

- 3.1 The AAL is important in terms of the reputation of the Council as it presents an outsider's view as to how well the Council is performing.

4 RESOURCE IMPLICATIONS

- 4.1 Preparing for the inspections and assessments, particularly for the Use of Resources assessment, which was assessed very differently this year compared to previous years, impacts on officer time and needs to be managed within existing workloads.

5 RECOMMENDATION

- 5.1 It is proposed that the Committee **RESOLVES**

That the content of the Annual Audit Letter for 2008/09 be noted.

Yvonne Woodward
Head of Finance, Audit & Performance Management

Background Papers:-

None.

For further information please contact Yvonne Woodward on:-

Tel:- 01702 318029

Email:- Yvonne.woodward@rochford.gov.uk

If you would like this report in large print, Braille or another language please contact 01702 546366.

Rochford District Council

Annual Audit Letter 2008/09

Report to Members

December 2009



Local public services

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<http://www.pkf.co.uk/>

Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party

[Local Government Code of Audit Practice](#)

[Statement of Responsibilities of Auditors and Audited Bodies](#)

1 Executive summary

- 1.1 This Annual Audit Letter (Letter) summarises the key issues arising from the work we have carried out during the year and highlights the key findings that we consider should be addressed by the Council.
- 1.2 We have already reported the detailed findings from our audit work to those charged with governance in the reports documented in the Appendix to this report. We have no additional recommendations for the Council at this time.

Key findings

- 1.3 A summary of key conclusions is included in the table below:

Area	Conclusion
Accounts	We issued an unqualified opinion on the financial statements.
Value for money conclusion	We issued an unqualified value for money conclusion.
Use of resources assessment	Our scored judgements for the use of resources assessment were: <ul style="list-style-type: none"> • 2 for managing finances: performing adequately • 3 for governing the business: performing well • 3 for managing resources: performing well <p>Overall, the Council was awarded Level 3 for Use of Resources</p>
Health inequalities	We are satisfied that the Council and the LSP are making good progress in this area and we intend to revisit Health Inequalities by way of a more in-depth follow-up review in 2009/10.

Acknowledgement

- 1.4 Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

2 Introduction

About the Council

- 2.1 Rochford District is in southeast Essex, between the rivers Thames and Crouch. Much of the district's 65 square miles is designated as green belt and there are many miles of coastline and nationally important areas of salt marsh, including Foulness Island and areas which are under Ministry of Defence control. There are significant Sites of Special Scientific Interest (SSSI) within the district; the Crouch and Roach estuaries, and the Foulness and Hockley Woods. About 81,100 people live in the district. Over half of the population live in Rayleigh, Hockley or Rochford. Southend Airport is part of the Thames Gateway regeneration area and is partially situated within the district.
- 2.2 The Council collects National Non-Domestic rates on behalf of the government and council tax for its own revenue and on behalf of Essex County Council, Essex Police and Essex Fire services. It provides a range of public services to the residents of the District, including:
- Housing and Council tax benefits
 - Pest control and environmental health
 - Building regulation surveyors
 - Car parking, taxi licensing and concessionary bus fares
 - Waste collection
 - Street cleansing
 - Planning decisions
 - Leisure facilities
- 2.3 Further information on the activities of the Council is detailed in the Annual Report which is publicly available on the Council's website at www.rochford.gov.uk.

The purpose of this Letter

- 2.4 The purpose of this Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public. The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also the Council's website.

Responsibilities of the auditors and the Council

- 2.5 We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.
- 2.6 As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

The scope of our work

- 2.7 Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:
- the Council's financial statements
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3 Key findings

Accounts

- 3.1 We issued an unqualified opinion on the Council's financial statements on 30 September 2009. Our opinion confirms that the financial statements present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.

Key issues arising from the audit

- 3.2 As reported in our Annual Governance Report in September 2009, a material error of £2.6m was identified as a result of audit work, which related to the valuation and impairment of car parks, the correction of which reduced the Council's reported deficit for the year by £2.5m.
- 3.3 There were a number of other material disclosure errors in the accounts which were corrected but, as these only related to the presentation of financial transactions and balances, they had no affect on the Council's reported outturn position.

Use of resources

- 3.4 The Code requires us to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. This is known as the value for money conclusion and draws on the results of specific risk based audit work as well as the results of our use of resources assessment.

Specific risk-based work – Health Inequalities

- 3.5 We carried out a specific piece of work based on our assessment of the key risks facing the Council which focussed on partnership working around the health inequalities agenda.
- 3.6 Our objective for 2008/09 was to monitor Local Strategic Partnership (LSP)-level action planning in response to our Essex-wide primary review in 2007/08, reported in March 2008. Our review considered a number of structural and other arrangements changes already achieved and also other development plans being progressed. We concluded that the Council and the LSP are making good progress in this area.
- 3.7 We will be undertaking a full-scale follow-up in early 2010 when process changes and impact and outcomes will be assessed in more detail.

Use of resources assessment

- 3.8 We are required to assess how well local authorities manage and use their financial resources by providing scored judgements on the Council's arrangements in three specific areas. Our assessment forms part of the Audit Commission's new Comprehensive Area Assessment (CAA) for 2008/09 and **is not comparable with 2007/08 or earlier years' scores.**

3.9 Our scores for each key line of enquiry are shown below:

Theme	2008/09
Managing Finances	
• Planning for financial health	3
• Understanding costs and achieving efficiencies	2
• Financial reporting	2
Theme score	2
Governing the business	
• Commissioning and procurement	2
• Use of information	3
• Good governance	3
• Risk management and internal control	2
Theme score	3
Managing resources	
• Natural resources	Not scored in 2008/09
• Strategic asset management	Not scored in 2008/09
• Workforce	3
Theme score	3
Overall score	3

3.10 The Council performed well in scoring a level 3 in governing the business and managing resources. This reflects the sound processes the Council has put in place in these areas that have delivered demonstrable outcomes. Arrangements and outcomes are particularly strong with regard to partnership review and governance and across most of the workforce focus areas where a number of examples of notable practice were identified.

3.11 Managing finances scored an overall level 2 with a mixture of level 2 and level 3 characteristics across the focus areas within the understanding and achieving efficiencies and financial reporting key lines of enquiry. The material errors identified during the accounts audit had the most notable impact on the assessment but our rounded judgement was that whilst they were significant enough to cap the score at level 2, they were not so fundamental as to justify a level 1 score for financial reporting.

3.12 To strengthen arrangements further and, in particular, to progress from level 2 scores at sub-theme level, the Council needs to focus on:

- Conducting further value for money work in identified high cost areas and making comprehensive use of benchmarking and cost analysis in service evaluation, performance reporting and procurement
- Enhancing efficiency savings plans to make them more detailed and specific
- Improving the timeliness of report publishing for access by the general public
- Strengthening the accounts closedown and preparation processes, particularly the capital accounting and draft accounts review processes
- Developing a more strategic, co-ordinated approach to directing and monitoring commissioning and procurement activities across the whole range of Council activities
- Thorough testing of the Council's Business Continuity Plans and assessment of the robustness of the business continuity plans of the Council's key service delivery partners.

- 3.13 The results of our use of resources assessment have been shared with the Audit Commission as part of the integrated approach to developing CAA. The results of CAA will be reported separately by the Audit Commission.

Value for money conclusion

- 3.14 Taking into account our work on use of resources, we have concluded that adequate arrangements are in place to secure value for money and have provided an unqualified value for money conclusion for the year ended 31 March 2009.

Grants

- 3.15 A separate grants report will be provided by February 2010 which will discuss the performance of the Council's grant claims.

Emerging issues

Current economic climate

- 3.16 In response to the continued economic downturn, the Council carried out a review of its position and the impact of the recession on all aspects of its operation. This identified some potential risk areas, such as the impact on the financial position of the reduction in fees and charges earned and the decline in interest rates. Action is being taken to mitigate these risks and their financial impact is being actively monitored.

Treasury management

- 3.17 Following the collapse of the Icelandic banks in October 2008 the Audit Commission conducted a study to examine treasury management arrangements in local authorities. The resulting report *Risk and Return* was published in March 2009 and in this report the Audit Commission committed to asking auditors to follow up the lessons from the report as part of their use of resources work.
- 3.18 We concluded from this work that the Council's treasury management arrangements are satisfactory and the Council has taken action to strengthen its arrangements in light of the collapse of the Icelandic banks.

Appendix: Reports issued in relation to the 2008/09 audit

Report	Date Issued
Annual audit plan	May 2008
Annual governance report	September 2009
Use of resources assessment	November 2009