

**Rochford District Council**

**Final report to those charged  
with governance**

September 2006

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# 1 Introduction

## Our work to date

- 1.1 Within our Outline Audit and Inspection Plan 2005/06, we outlined the work that we would be carrying out at Rochford District Council (the Council) in order to meet our Code of Audit Practice responsibilities.
- 1.2 We have now completed the final phase of our work on the Council's 2005/06 Statement of Accounts and this report gives the result of that work. This report is presented to Members in accordance with the provisions of International Auditing Standard 260 (ISA 260) which requires us to report certain matters to those charged with governance, prior to issuing our opinion on the Statement of Accounts.
- 1.3 Our work has focused on an assessment of the Council's arrangements in two specific areas of our audit responsibilities:
- Our audit opinion on the Council's Statement of Accounts; and
  - The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Findings

- 1.4 The following sections detail our key findings in respect of the above areas.
- 1.5 Detailed recommendations in response to the key findings identified by our review are provided in the Action Plan at Appendix A. These recommendations have been discussed with appropriate Officers and their responses are included in the plan.
- 1.6 We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and control systems or arrangements to secure economy efficiency and effectiveness, but only those matters which have come to our attention as a result of the audit procedures performed.

## Status of our report to the Council

- 1.7 This report has been prepared for Member's and Officer's information only and is not intended to include every matter that may have come to our attention. We accept no responsibility for any reliance that might be placed on it for any purpose by third parties, to whom it should not be shown without our prior written consent.

## Independence

- 1.8 We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditors and that our independence declaration, included in the Outline Audit and Inspection Plan 2005/06, has remained valid throughout the period of the audit.

## Acknowledgement

- 1.9 We would like to take the opportunity to thank the staff of the Council for the co-operation and assistance provided to us during the audit.

## 2 Accounts

2.1 The Council is required to publish an audited Statement of Accounts in accordance with proper practices as set out in CIPFA's Code of Practice on Local Council Accounting in the United Kingdom 2005: A Statement of Recommended Practice (The SORP). The Head of Finance, Audit and Performance Management is responsible for the preparation of the Accounts in accordance with the SORP.

2.2 As the Council's appointed auditors, our main objective is to form an independent opinion on the Statement of Accounts.

### Scope of our work

2.3 Our audit covers all the financial statements in the Statement of Accounts, the accounting policies and the relevant notes. In accordance with the Code of Audit Practice, we are required to assess whether the Accounts:

- Present fairly the financial position of the Council and its income and expenditure for the year in question; and
- Have been properly prepared in accordance with appropriate legislation.

2.4 We are not required to report directly on the Statement on Internal Control, although we are required to report if the Statement is misleading or inconsistent with the other information we are aware of from our audit of the financial statements.

2.5 In completing these assessments, we consider a number of aspects which may have an impact on our ability to issue an unqualified opinion. These aspects include:

- Assessing systems reliance;
- Reviewing the accounts preparation process; and
- Completing analytical review, testing balances and considering the adequacy of disclosures.

### ISA 260 responsibilities

2.6 In accordance with the requirements of ISA 260, auditors are required to communicate relevant matters relating to the audit with those charged with governance. The content of this, and our interim report, forms part of our reporting on the results of our final accounts audit to those charged with governance, and it will be supplemented by the preparation of the Annual Audit and Inspection Letter.

2.7 In particular we are required to report:

- Qualitative aspects of accounting practices and financial reporting;
- The final draft letter of representation to be agreed by management and those charged with governance;
- Uncorrected misstatements;
- Expected modifications to the audit report;
- Material weaknesses in accounting and internal control systems identified during our work;
- Matters required to be communicated by other ISAs; and
- Any other audit matters of governance interest.

2.8 Our comments in each of these areas are set out below.

## Accounting practices and financial reporting

- 2.9 During the audit we identified some disclosures in the Statement of Accounts which had not been presented in accordance with the guidance in the SORP. In particular:
- The pensions disclosure note covering the fair value of attributable assets did not disclose the proportion of assets held by the pension fund, and the expected return on the current period;
  - The categorisation of non operational fixed assets between asset types had not been disclosed on the face of the balance sheet; and
  - A summary of the movements in deferred charges in the year had not been disclosed as a note to the balance sheet.
- 2.10 It is a requirement of the SORP that authorities disclose any related party transactions. As part of the process of identifying whether there are any relevant related party transactions that require disclosure, Members and Officers were requested to complete documentation outlining any potentially relevant transactions.
- 2.11 The final two returns were only received during the course of drafting this report. Although no matters requiring disclosure were identified, the Finance Team need to ensure that late returns are followed up promptly.
- 2.12 Appropriate amendments arising from the above were reflected in the final accounts. There are no other comments with respect to the Council's financial reporting procedures that we wish to draw to the Audit Committee's attention.

### Building Control Account

- 2.13 The Building Control Account has achieved an aggregate deficit on the chargeable element of the account of £12,000 over the past three years as follows:

	2003/04 £'000	2004/05 £'000	2005/06 £'000	Total £'000
Surplus/(Deficit)	14	2	(28)	(12)

- 2.14 The Local Authority Building Control Charges Regulations (SI 1998/3129) (England and Wales only) states that Councils should aim to breakeven over a three year period, and should set, and periodically review, their charges to achieve this. The reason for the limitation on charges is that unjustifiably high charges could be regarded as a means of indirect local taxation for which the Council has no statutory power, whilst low charges would indicate that the building control function is being subsidised by taxpayers.
- 2.15 The Audit Commission have confirmed that any surplus/deficit on these funds should be ring-fenced and can only be spent on offsetting future surpluses. Over the past year the surplus in the Building Control Account Reserve has been utilised to fund the deficit on the chargeable element of the Building Control Account as well as a new system for the department. All reserves have now been fully utilised, and £8k of the current years' deficit has been taken directly to the General Fund.

### ***Bad Debt Provision***

- 2.16 We have noted that the basis of the bad debt provisions for Council Tax, NNDR and Sundry Debtors have all been reviewed and some amendments made following our recommendation from last year.
- 2.17 However, our review has shown that the current bad debt provision has been based upon an average of the provision calculated in each of the current and prior years. We do not consider this to be an appropriate methodology, as any provision should be based upon an assessment of the recoverability of the current year's debtor, taking into account information on previous years' recovery rates.
- 2.18 By comparing the current year provision as calculated by the Authority to that included in the accounts, it can be seen the bad debt provision within the statement of accounts is overstated by £194k. We have discussed this with officers and this has been subsequently revised in the Accounts.
- 2.19 In our prior year report we recommended that the Authority use the actual recovery rates achieved across a number of previous years, rather than just the preceding year as is currently the case. The current calculation is still based one year's data, which is the result of older data not being available, although the Authority has recognised the need to use additional information in future years.

### ***Letter of representation***

- 2.20 The final draft of the letter of representation has been attached at Appendix B.

### ***Uncorrected misstatements***

- 2.21 ISA 260 requires us to report any non-trivial misstatements which we noted during the course of our audit and that were not adjusted in the final approved accounts.
- 2.22 All matters identified during the course of our audit have been adjusted, the most significant of which was in respect of the bad debt provision (net overstatement of £194k) discussed above. Consequently, there are no unadjusted errors to report.

### ***Audit report***

- 2.23 At the time of drafting this report we are proposing to issue an unqualified opinion on the Statement of Accounts in accordance with the statutory deadline of 30 September.

### ***Accounting and internal control systems***

- 2.24 In our Interim Report we concluded that the Council's core financial systems were adequate as a basis for preparing the accounts, although we noted that some control weaknesses existed that would require additional audit effort. In particular, our interim report highlighted that the following reconciliations had not been completed on a regular basis:
- reconciliation of Housing Rents to the Housing Benefit System; and
  - reconciliation of Council Tax to the Council Tax Benefits system.
- 2.25 Having reviewed these areas within our work on the final accounts, we are satisfied that the accounts are not materially affected by these issues.

### ***Matters required to be reported by other ISAs***

- 2.26 There are no other matters arising from our work that we are required by other ISAs to bring to the attention of those charged with governance.

## ***Other audit matters of governance interest***

### **Pensions information provided to the Authority by the County Council**

- 2.27 On 1 September 2006, the Authority and we were made aware of errors in the information provided by the County Council to the Pension Fund actuary which resulted in a significant (approximately 3.8%) understatement of the pension fund's assets.
- 2.28 The fund's actuary has promptly recalculated asset figures based on correct information, and provided this to the Authority and other members of the scheme. The Authority has processed the necessary amendments and revised accounts have been prepared. The value of the adjustment to the assets attributable to Rochford District Council is £879k.

### **The Accounts preparation process**

- 2.29 The draft accounts were submitted to the Council on 27 June 2006, in advance of the statutory deadline of 30 June.
- 2.30 We scheduled our audit to start on 14 August 2006 to give sufficient time to the Council to prepare the information required for our audit. We had prepared and provided to Officers a detailed document request listing, which outlined the information that we would require to complete the audit on the basis set out in our audit plan.
- 2.31 Overall, the accounts audit process was considered to be good, with a notable improvement in the quality of the working papers provided, and we appreciate the co-operation afforded by the Finance Department staff to make these improvements.

### **Analytical review**

- 2.32 Most explanations for variances between outturn balances of the current year and the prior year were provided to us at the start of the audit, although they were not fully substantiated and evidenced. The remaining explanations and evidence to support all balances were provided during the course of the audit. We recognise the tight deadlines and time pressures in the accounts closedown period, but we would encourage the Council to provide supporting documentation for explanations at the start of the audit.

### **Testing of balances**

- 2.33 As part of our audit approach all material balances were subject to specific audit testing and agreement, on a sample basis, to supporting documentation.
- 2.34 There are no matters arising from the work completed to date that we wish to bring to the Audit Committee's attention.

### **Statement on Internal Control**

- 2.35 The Council has a responsibility to publish a Statement on Internal Control, including the outcome of a review of its effectiveness, with its 2005/06 accounts. We have reviewed the Statement on Internal Control and the supporting effectiveness review that was undertaken and we are satisfied that the Statement is not misleading or inconsistent with the other information that we are aware of from our audit of the accounts.

## 3 Use of Resources

- 3.1 The new Code requires us to be satisfied that proper arrangements have been made by the Council to secure economy, efficiency and effectiveness in the use of resources (our value for money conclusion).

### Reporting to those charged with governance

- 3.2 Auditors are required to communicate relevant matters relating to our review of the arrangements to secure economy, efficiency and effectiveness to those charged with governance. In particular we are required to report:
- the findings and conclusions from the audit;
  - significant matters that have come to our attention that prevent us concluding that the audited body has put in place proper arrangements, the proposed value for money conclusion and an explanation for any qualifications;
  - an action plan including any recommendations with management's responses and indicative target dates for implementation; and
  - reference to the statutory report on the Best Value Performance Plan (BVPP).

### Findings and conclusions

- 3.3 We have undertaken work in the areas identified in our Outline Audit and Inspection Plan 2005/06 which are summarised in our Interim Audit Report being presented to the September Audit Committee alongside this report. The conclusions from this work will also be summarised within the Annual Audit and Inspection Letter, which will be presented to the Audit Committee in April 2007.
- 3.4 In addition to our local risk based planning, the Audit Commission can specify work to be carried out by auditors on a national basis. For 2005/06, the Audit Commission specified that we review your arrangements against their Key Lines of Enquiry (KLoE) criteria.

### Value for money conclusion

- 3.5 For the first time this year, we are required to give an audit opinion providing an overall conclusion on whether the Council have proper arrangements in place to secure value for money (VFM). This VFM conclusion is based on considering the results of work against the twelve criteria identified by the Audit Commission. These cover work in three principal areas:
- Key lines of enquiry (8 criteria)
  - Data Quality (1 criteria)
  - Corporate Assessment (3 criteria)
- 3.6 The VFM conclusion draws on the results of risk based local audit work as well as the consideration of the Authority's processes underpinning its review of the effectiveness of its controls as described in its Statement on Internal Control.
- 3.7 **Members should note that the conclusion is as at 31 March 2006, and so reflects the position and improvements made in arrangements only up to and including that date. Improvements since that date will be taken account of in the KLoE work and VFM conclusion for next year.**

## Key Lines of Enquiry

- 3.8 The KLoE assessment was completed in February 2006, with scores reported in the final 2004/05 Annual Audit and Inspection Letter issued on 29 March 2006 and presented to Members of the Audit Committee on 20 April 2006.
- 3.9 A detailed report of findings and a comprehensive action plan for improvement was provided to Officers on 20 March 2006, with detailed responses, including responsibilities and deadlines agreed, taking account of workload pressures and the available resource, now agreed. Key issues are being reported to the Audit Committee alongside this report.
- 3.10 The scoring mechanism is defined as follows:

Score	Judgement	Conclusion
1	Below minimum requirements	Inadequate performance
2	At minimum requirements	Adequate performance
3	Consistently above minimum requirements	Performing well
4	Well above minimum requirements	Performing strongly

- 3.11 This work contributes to our forming an overall conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of resources in that audited bodies are required to reach a minimum score of 2 in each area for an unqualified opinion.
- 3.12 The overall results of the KLoE assessment were as follows:

Theme and Key Line of Enquiry	Score
1 Financial Reporting	2
2 Financial Management	2
3 Financial Standing	2
4 Internal Control	1
5 Value for Money	2
<b>Overall</b>	<b>2</b>

## Data quality

- 3.13 As part of the new arrangements for review of performance indicators, auditors must assess the management arrangements in place to ensure data quality against criteria set by the Audit Commission and conclude on a level ranging from 1 (inadequate) to 4 (performing above target). The approach is very similar to that used for KLoE assessments.
- 3.14 Our preliminary conclusion is that the Council will be adjudged a Level 2 (adequate arrangements). This conclusion is driven by the fact that data quality issues are known and understood by the Council, and there are generally strong collection processes in place and a track record of robust review work by Internal Audit that we have previously placed reliance on (before the focus and scope of our work changed), although at the date of review there was no formal Data Quality Strategy in place to show that there was Council-wide commitment to data quality and this is the single most important issue to address.

## Corporate assessment and other external inspections

- 3.15 As part of our work in providing the VFM conclusion, we are required to place reliance on the results of the most recent corporate assessment, as updated by the Progress Assessment, Direction of Travel statement and other Inspection work. We use these assessments by the Audit Commission towards assessing the following VFM conclusion criteria:
- Arrangements for:
    - establishing strategic and operational objectives; and
    - determining policy and making decisions;
  - Arrangements for ensuring that services meet the needs of users and taxpayers, and for engaging with the wider community; and
  - Assess the arrangements for monitoring and reviewing performance, including arrangements to ensure data quality.
- 3.16 In each of these cases we are required to assess whether the criteria was met or not.

### *Proposed conclusion*

- 3.17 We are unable to report our overall VFM conclusion at the time of drafting this report because work on this area has not yet been completed, as we have only been able to conclude on 8 of the 12 VFM conclusion criteria, these being the criteria that map directly from KLoE work. The criteria that remain outstanding relate to the 3 criteria set out in paragraph 3.14 above and the result of our ongoing "Data Quality" review (which is part of the new approach to reviewing Best Value Performance Indicators).
- 3.18 Based on the work undertaken to date, and specifically excluding any issues arising from our ongoing work covering the remaining 4 VFM conclusion criteria that might lead to further qualification, we expect to qualify the VFM conclusion on an "except for" basis because of scores of 1 ("inadequate") received by the Council in the following areas:
- Code criteria 5: *"The body has put in place arrangements to maintain a sound system of internal control."* (KLoE 4.2)
  - Code criteria 6: *"The body has put in place arrangements to manage its significant business risks."* (KLoE 4.1)
  - Code criteria 7: *"The body has put in place arrangements to manage and improve value for money."* (KLoE 5.2)
  - Code criteria 10: *"The body has put in place arrangements for managing performance against budgets."* (KLoE 2.2)
- 3.19 A draft opinion, taking account only of the four qualification areas set out above, is included in Appendix D. We will provide a verbal update to the Audit Committee at the meeting.

## Statutory report on the 2005/06 BVPP

- 3.20 The audit of the Best Value Performance Plan 2005/06 ("BVPP") was completed in 2005 and we reported that the Council had prepared and published its BVPP in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government. An unqualified opinion was issued on 22 December 2005.
- 3.21 No recommendations have arisen from this work.

## 4 Fee information

4.1 We are required to disclose an analysis of the proposed and actual audit fees for the year and provide an explanation for any significant variations for each element of our work.

4.2 The proposed audit fees were set out in the Outline Audit and Inspection Plan 2005/06:

Audit plan 2005/06	Proposed fees £	Actual fees £
<b>Code of Audit Practice</b>		
Accounts	51,820	51,820
Use of Resources	19,750	36,194
Planning & Reporting	24,930	24,930
<b>Subtotal audit</b>	<b>96,500</b>	<b>112,944</b>
<b>Inspection</b>	<b>15,670</b>	<b>15,670</b>
<b>Total audit and inspection</b>	<b>112,170</b>	<b>128,614</b>
Grants (period ending 31 March 2005)	30,825	33,483
Questions and objections	-	-
<b>Total</b>	<b>142,995</b>	<b>162,097</b>

4.3 The £16,444 increase in Use of Resources fees relates to the Key Lines of Enquiry work.

4.4 The Use of Resources review of Data Quality arrangements will be included within the 2006/07 Audit and Inspection Plan fee.

## Appendix A: Action Plan

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<b>Fixed Asset Classification</b>					
The Council did not identify the requirement of the SORP 2005 to reclassify non operational assets.	Review the procedures used to identify changes in the SORP, to ensure that the accounts are compliant.	Medium	Accepted that the two non operational assets were not shown separately on the balance sheet as required by the SORP. This has now been corrected. The planning process for 2006/07 account closure is already in hand as there are major changes to the SORP which have already been identified.	Financial Services Manager	June 2007
<b>Bad Debt Provision</b>					
Bad debt provisions for Council Tax, NNDR and Debtors were based upon an average of the bad debt provision calculated for the current and prior year.  This is not an appropriate basis, as the provision should be based upon the current years' outstanding debtors and take account of the level of recoveries for different ages of debt that have been achieved in prior periods (we suggest 3 years).	Review the bad debt provisions to ensure that the basis for calculating the provisions are appropriate	High	Accepted.	Financial Services Manager	June 2007
<b>Related Parties</b>					
Related Party disclosure forms had not been received from two Councillors some 2 months after approval of the Council's financial statements.	Review procedures to ensure that related party disclosure confirmations are received on a timely basis.	Medium	Accepted. Procedure now includes reminders by telephone.	Senior Accountant	June 2007

## Appendix B: Draft Letter of Representation

PKF (UK) LLP  
16 The Havens  
Ransomes Europark  
Ipswich  
Suffolk  
IP3 9SJ

29 September 2006

Dear Sirs

### Accounts of Rochford District Council for the year ended 31 March 2006

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's Statement of Accounts for the year ended 31 March 2006.

#### 1. Completeness of information

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and committee meetings (held during the year and up to the date of this letter) have been made available to you.

#### 2. Compliance with law and regulations

We are not aware of any possible or actual instances of non-compliance with law or regulations which are central to the operations of the Council, or which would otherwise have a potentially material effect on the Statement of Accounts.

#### 3. Transactions with related parties

We are satisfied that the disclosure in the Statement of Accounts of related party transactions is appropriate and complete and contains all the elements necessary for an understanding of the Accounts.

#### 4. Fraud

We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud and we have disclosed to you the results of our assessment of the risk that the financial statements could be materially misstated as a result of fraud.

We are not aware of any fraud or suspected fraud affecting the Authority and no allegations of fraud or suspected fraud affecting the financial statements have been communicated to us by employees, former employees, analysts, regulators or others.

#### 5. Contingent liabilities

We are not aware of any significant contingent liabilities, including pending claims, proceedings or litigation involving the Council.

**6. Unadjusted differences**

We confirm that there are no unadjusted misstatements.

**7. Subsequent events**

There have been no events since the balance sheet date which necessitate revision of the figures included in the Statement of Accounts, or inclusion of a note thereto. Should material events occur, which may necessitate revision of the figures included in the Accounts or inclusion of a note thereto, I will advise you accordingly.

**8. Statement on Internal Control**

We are satisfied that the Statement on Internal Control appropriately reflects the circumstances of the Council.

Yours faithfully

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.....

Head of Finance, Audit and Performance Management  
Signed on behalf of Rochford District Council

## Appendix C: Follow up of previous recommendations

Recommendations	Priority	Responsibility	Timing	Action to Date	Resolved	Revised Implementation Date
<b>Previous recommendation</b>						
Our review of implementation of previous recommendations identified the following progress.						
<b>Supporting People</b> The Council should review all available information in relation to Supporting People and ensure accounting records are updated accordingly.	High	Housing Finance Officer	December 2005	The Authority has reviewed all information available relating to Supporting People, and missing statements have been obtained, and are being used to reconcile the figures	Yes	N/A
<b>Bad debt provision</b> The Council should ensure its bad debt provision calculations are updated to consider longer periods of collection data.	Medium	Yvonne Woodward (Head of Finance, Audit and Performance Management)	June 2006	The basis of the calculation is still based upon one year's data, and has not been changed to reflect the collection record of a number of periods.	No	2006/07
<b>Accounts preparation</b> The Council should ensure it makes all possible efforts, particularly given the shortened timetable in 2006, to produce accounts to ensure complete accounts are available for audit at the earliest opportunity.	Medium	Yvonne Woodward (Head of Finance, Audit and Performance Management)	August 2006	Accounts timetable was shortened to enable the accounts and working papers to be available at the commencement of the audit	Yes	N/A

## Appendix D: Draft audit opinion

### Independent auditors' report to the Members of Rochford District Council

#### Opinion on the financial statements

We have audited the financial statements of Rochford District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Rochford District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### *Respective responsibilities of the Head of Finance, Audit and Performance Management and auditors*

The Head of Finance, Audit and Performance Management's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

We review whether the Statement on Internal Control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### *Basis of audit opinion*

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

### **PKF (UK) LLP**

Ipswich

*Date to be inserted*

## **Conclusion on 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a Best Value Performance Plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. 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.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's Best Value Performance Plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Rochford District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except in respect of meeting the following criteria:

- *put in place arrangements to maintain a sound system of internal control.*
- *put in place arrangements to manage its significant business risks.*
- *put in place arrangements to manage and improve value for money.*
- *put in place arrangements for managing performance against budgets.*

### **Best Value Performance Plan**

We issued our statutory report on the audit of the Authority's Best Value Performance Plan for the financial year 2005/06 on 22 December 2005. We did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**PKF (UK) LLP**

**Ipswich**

*Date to be inserted*

## Appendix E: Reports issued in respect of 2005/06

Outline Audit and Inspection Plan	August 2005
Opinion on 2005/06 BVPP	December 2005
Use of Resources Report (Key Lines of Enquiry)	June 2006
Interim Report	September 2006
Final report to those charged with governance	September 2006