

EXTERNAL AUDITOR REPORTS AND UPDATES FOR 2011/12

1 INTRODUCTION

- 1.1 This report draws Members' attention to the following documents from PKF, the Council's external auditor: the Fee Outturn Summary 2011/12 and the Annual Audit Letter 2011/12.

2 FEE OUTTURN SUMMARY 2011/12

- 2.1 In accordance with Audit Commission requirements, the external auditor is required to report the outturn position for the year against the budgeted fee previously advised. The budget figure was reported to this Committee in March 2012 in the External Auditor's Annual Audit Plan for 2011/12. This summary is attached as appendix 1

3 ANNUAL AUDIT LETTER 2011/12

- 3.1 This letter summarises the work carried out by the external auditor in respect of the year ending 31 March 2012. Detailed findings and recommendations were reported to this Committee in September 2012 in the Annual Governance Report 2011/12.
- 3.2 This letter was originally brought to Members' attention in the Members' Bulletin of 12 October 2012 and a copy was placed in the Members' Library. The letter has also been published separately on the Council's website. The Annual Audit Letter is attached as appendix 2

4 RECOMMENDATION

- 4.1 It is proposed that the Committee **RESOLVES**
- (1) That the Fee Outturn Summary for 2011/12 be noted.
 - (2) That the Annual Audit Letter for 2011/12 be noted.

Yvonne Woodward
Head of Finance

Background Papers:-

None.

For further information please contact Jim Kevany on:-

Phone: 01702 546366 Ext 3213

Email: james.kevany@rochford.gov.uk

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



Rochford District Council

Fee outturn summary 2011/12

October 2012

1 Fee outturn

- 1.1 The Audit Commission's *Standing Guidance for Auditors* requires us to report the outturn fee position for the year against the budgeted fee included within your Audit Fee Letter, as updated in your Annual Audit Plan (issued in February 2012 and presented to the Audit Committee in March 2012).
- 1.2 We have now concluded the audit and the final outturn fee for 2011/12 is set out in the table below:

Audit area	Planned Fee per Annual Audit Plan* £	Outturn Fee £	Variance £
Planning and Reporting	23,900	23,900	-
Financial Statements, including WGA	61,000	61,000	-
VFM Conclusion	19,505	19,505	-
Total Code audit fee	104,405	104,405	-

- 1.3 At the time of issuing this paper, our work on the 31 March 2012 grant claims remains on-going. We will issue a detailed report on the findings from our work in December 2012, once all claims have been certified, and this will include the final outturn fee for certification work completed as an agent of the Audit Commission. However, at this time we still anticipate that the fee for certification of claims for the year ended 31 March 2012 will be in line with our planned fee of £28,000
- 1.4 No non Code audit work was undertaken.

Annual Audit Letter 2011/12

Rochford District Council

OCTOBER 2012



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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 2010](#)

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

Executive summary

This Annual Audit Letter summarises the findings of the work we have completed in respect of the year ended 31 March 2012.

SUMMARY OF HIGH LEVEL AUDIT ASSURANCES

✓ Financial statements

- The financial statements give a true and fair view of the Council's financial affairs and income and expenditure for the year, and were properly prepared in accordance with the 2011 Code of Practice on Local Authority Accounting in the United Kingdom.
- The Annual Governance Statement was not misleading or inconsistent with other information of which we were aware.

✓ Internal control

- The significant financial systems are generally adequate for preparing the financial statements.
- We were able to rely on the work of Internal Audit.

✓ Whole of Government Accounts

- As the Council is below the reporting threshold for a full review, we completed only a limited assurance review of the Whole of Government Accounts to agree the information included for property, plant and equipment and pensions.

✓ Use of resources

- We were able to satisfy ourselves that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.
- We issued an unqualified value for money conclusion.

Our detailed findings and recommendations were reported to Management and the Audit Committee in our Annual Governance Report to Those Charged with Governance (September 2012).

Introduction

THE PURPOSE OF THIS LETTER

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 the 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 on the Council's website.

RESPONSIBILITIES OF THE AUDITORS AND THE COUNCIL

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.

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.

SCOPE OF THE AUDIT

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 (value for money).

REPORTING THE AUDIT

We provided reports to "those charged with governance" (the Audit Committee) and management on the findings of the audit focussing on key issues regarding internal control, financial governance, accounting arrangements and use of resources. We aim to provide management with clear recommendations to assist with governance and service improvements that will add value to the audit.

Reports issued during the year were:

- Audit Fee Letter issued April 2011
- Annual Audit Plan issued February 2012
- Annual Governance Report to those charged with governance issued September 2012
- Annual Audit Letter issued October 2012
- Grants and Certification Work (2010/11 returns) issued February 2012.

ACKNOWLEDGEMENT

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.

Key findings

ABOUT THE COUNCIL

The Council serves a population of around 83,300, with about half living in Rayleigh, Hockley or Rochford. 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. Southend Airport is part of the Thames Gateway regeneration area and is partially situated within the district.

The Council comprises 39 elected Members representing 19 wards. It employs approximately 210 staff, and spends approximately £40m per annum, providing a range of public services to the residents of the District. The Council's spend is funded by Central Government Grants, Council Tax, fees and charges and other sources of income.

Further information on the activities of the Council is detailed in its Annual Reports and the Corporate Plan 2012-2017 which are publicly available on the Council's website at <http://www.rochford.gov.uk>.

FINANCIAL STATEMENTS

We issued an unqualified true and fair opinion on the financial statements on 26 September 2012. Our opinion confirmed the financial statements gave a true and fair view of the Council's financial affairs at 31 March 2012 and of the income and expenditure recorded during the year then ended.

We did not identify any material errors within the financial statements that required correction. Immaterial misstatements ranging from £46,000 to £237,000 were identified and corrected during the course of the audit. These matters were reported in detail in our Annual Governance Report (September 2012).

There were three uncorrected factual misstatements reported to Those Charged with Governance. Overall, the net impact on the financial statements should these have been corrected would have been to increase income and net assets by £22,000. Members accepted that these misstatements would remain uncorrected on the basis that their impact was not significant to the accounts.

Annual Governance Statement

We were satisfied that the Annual Governance Statement was not inconsistent or misleading with other information we were aware of from our audit of the financial statements.

INTERNAL CONTROL

The Council's significant financial systems were generally adequate as a basis for preparing the financial statements. We were able to place reliance on Internal Audit's work in discharging our audit responsibilities.

WHOLE OF GOVERNMENT ACCOUNTS

As the Council is below the reporting threshold for a full review, we completed only a limited assurance review of the Whole of Government Accounts to agree the information included for property, plant and equipment and pensions. The short form assurance statement that we were required to issue for 2011/12 was unqualified.

USE OF RESOURCES

Financial resilience

Our financial resilience work has considered the Council's arrangements for financial governance, financial planning and financial control, including improvements in arrangements over the prior year.

The Council has maintained its good track record of successful financial management arrangements and achieving its savings, with General Fund reserves being maintained above the minimum recommended level.

The Council is on track to deliver its 2012/13 budget and has already delivered on achieving £700,000 of its required £900,000 savings for the year. The medium term financial strategy indicates that the Council will be in a position to make contributions to reserves over the medium term.

The Council already outsources a number of services in order to achieve savings and has been actively reviewing the on-going value for money of these arrangements.

Challenging economy, efficiency and effectiveness

The Council has continued to review and consolidate its baseline arrangements for challenging and securing value for money during 2011/12. The arrangements operated during the year remain adequate. Performance management and risk management arrangements that support the achievement of value for money are evidenced as continuing to operate as previously assessed with no contra-indicators.

Due to the continuing financial pressures faced by the Council its approach to challenging and securing value for money in 2011/12 has remained primarily focused on a fundamental review of all lines in the Council's baseline budget and of levels of service provided. This approach was complemented by a benchmarking comparison of the Council's position relative to its nearest neighbours, in terms of its levels of income and spend, using the Audit Commission's Value for Money Profiling Tool.

The Council has continued to actively explore the potential for greater partnership working, in a variety of guises, and has progressed joint working in areas including car parking and collaborative procurement projects.