
FINANCIAL STATEMENTS 2020/21

1 SUMMARY

- 1.1 The Provisional Audit Results Report (ARR) at Appendix 1 summarises EY's preliminary audit conclusion in relation to the audit of Rochford District Council's financial statements for 2020/21.
- 1.2 At the date of the report EY had substantially completed their audit of the Council's financial statements for the year ended 31 March 2021. Subject to concluding the outstanding matters listed in their report, EY have confirmed that they expect to issue an unqualified audit opinion and that there are no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 1.3 The COVID-19 pandemic has continued to exert resourcing pressures on local government in 2021. As a result, government announced that the deadline for publication of accounts for 2020/21 and 2021/22 was being extended from 31 May to 31 July, and the deadline for the sign off of audited accounts was being extended from 31 July to 30 September. The Council's draft accounts were published on 29 July 2021; the external audit commenced in October in line with an agreed revised timetable following resourcing issues of the Council's external auditors, EY. The statutory obligation on the Council is to either publish the audited accounts by 30 September or to publish a statement on the Council's website stating why this is not the case. A statement was published on the authority's website ahead of the stated deadline.
- 1.4 The Authority agrees a Medium Term Financial Strategy (MTFS) each year, which includes a commitment to maintain a suitable level of balances. The forecast for general fund balances at 31 March 2021 presented to Council within the 2021/22 MTFS report in February 2021 was estimated at £1,000,000 (10% of the 2021/22 net revenue budget). Following closure of the accounts the final level of General Fund balance for 2020/21 was £1,464,000; this equates to 14% of the 2021/22 net revenue budget.

2 SIGNING AND APPROVAL

- 2.1 The Authority is required by the Accounts and Audit Regulations of 2015 to prepare an annual Statement of Accounts. The financial statements must be signed as true and fair by the Assistant Director, Resources (Section 151 Officer) and Member approval must be given to the audited statements to allow publication. The Authority has given delegation for that approval to the Audit Committee, but as there are small residual areas of work requiring completion the Audit Committee is not asked to sign off the statements at this Committee meeting. Instead, the Committee is asked to further delegate approval for final sign-off of the financial statements to the Chairman of the Audit Committee, in conjunction with the Assistant Director, Resources

(Section 151 Officer), subject to no material changes being required to the statements. Once the residual work is complete the financial statements will be approved, signed and dated by the Chairman of the Audit Committee and the remaining Members of the Committee will be notified. If any material changes were required post the Committee meeting, the Audit Committee will be reconvened at a later date to reconsider and approve the revised Statement of Accounts.

3 ANNUAL GOVERNANCE STATEMENT

- 3.1 The draft Annual Governance Statement (AGS) was considered in detail by the Audit Committee on 27 July 2021. No changes have been required to that version to date; however, this will be kept under review until the final accounts are approved. The final version of the AGS will be signed by the Chief Executive and Leader of the Council prior to publication.

4 MAJOR JUDGMENTS MADE

- 4.1 In the preparation of the accounts, the Assistant Director, Resources (Section 151 Officer) is required to make judgments and estimates in some cases. The types of judgment made include asset life and depreciation methods. The main estimate relates to the Housing Benefit subsidy claim, which is a material item in the Council's accounts, as the figures are based on the draft end of year subsidy claim. Other key areas of estimation are set out in Note 7 to the financial statements.

5 RISK IMPLICATIONS

- 5.1 The preparation of the financial statements is a major piece of work that involves a significant amount of officer time across the Authority. Officers therefore prepare a detailed plan of work in conjunction with the external auditors, to ensure that all tasks can be completed by the required deadlines. This is monitored closely throughout the period of accounts preparation and audit to ensure the statutory deadlines are adhered to.
- 5.2 As set out in the external auditors' report, the most significant risk is that financial statements as a whole are not free of material misstatements that could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements, whether caused by fraud or error. The objective of external audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement when it exists.

6 LEGAL IMPLICATIONS

- 6.1 It is a statutory requirement for the draft financial statements to be signed by the Chief Finance Officer (Assistant Director, Resources (Section 151 Officer)) by 31 July. The draft financial statements and balance sheet were signed and presented for audit on 29 July 2021. On conclusion of audit, the final financial statements must be published on the Council's website, alongside the statement of the external auditor's opinion.

7 EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups as defined under the Equality Act 2010.

8 RECOMMENDATION

- 8.1 It is proposed that the Committee **RESOLVES**
- (1) That the contents of the draft Audit Results Report be noted.
 - (2) That the Financial Statements be approved in principle.
 - (3) That final sign-off of the Financial Statements be delegated to the Chairman of the Audit Committee, subject to no significant audit changes being identified post the Committee meeting.
 - (4) That the movement in general fund balances be noted.



Naomi Lucas

Assistant Director, Resources

Background Papers: -

None.

For further information please contact Naomi Lucas (Assistant Director, Resources) on: -

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

Rochford District Council Provisional Audit Results Report

Year ended 31 March 2021

3 December 2021



6 December 2021



Audit Committee Members
Rochford District Council
South Street
Rochford
SS4 1BW

Dear Audit Committee Members

We are pleased to attach our Provisional Audit Results Report for the forthcoming meeting of the Audit and Governance Committee on 15 December 2021. This report summarises our preliminary audit conclusion in relation to the audit of Rochford District Council for 2020/21.

We have substantially completed our audit of Rochford District Council for the year ended 31 March 2021. Please refer to the “Executive Summary” for further details on status of the work. In the timetable in our Audit Planning Report dated 8 March 2021, we aimed to issue our Audit Results Report in September 2021. Unfortunately, due to the need to make staffing changes as well as the impact of ongoing 2018/19 and 2019/20 audits and Covid19, we had to make changes to the proposed timetable. We rescheduled the 2020/21 audit of Rochford District Council to start in October 2021. We discussed these changes with the finance team in advance of our initial scheduled start date. Whilst we have significantly completed our audit procedures, our work is still in progress at the date of drafting this report. We aim to finalise our audit before the end of December 2021. We will circulate a further update on our audit results if anything significant arises during finalisation of our audit procedures, including final reviews.

We expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 15 December 2021.

Yours sincerely

Debbie Hanson
For and on behalf of Ernst & Young LLP

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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 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 the 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.



01 Executive Summary

Executive Summary

Scope update

In our Indicative Audit Planning Report presented to the March 2021 to Audit Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions.

Changes in materiality: 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.

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

Information Produced by the Entity (IPE): As a result of Covid-19, we identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited;
- Agree IPE to scanned documents or other system screenshots; and
- gained our own access to the accounting software to enable us re-run reports ourselves.

Changes to the scope of our audit: Subsequent to our Audit Plan dated 5 March 2021, we have made following changes to our risk assessment;

Recognition of grant income associated with Covid-19 (new high inherent risk): The Council has received significant additional funding in the form of grants as a result of the Covid-19. There is a risk for incorrect recognition and treatment of these grants in relation to whether the Council is acting as principal or agent and whether any conditions or restrictions attached to the grants have been appropriately reflected in the accounting treatment.

Auditing accounting estimates: a revised auditing standard has been issued in respect of the audit of accounting estimates (540). The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty.

Executive Summary

Status of opinion audit

We have substantially completed our audit of Rochford District Council's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Indicative Audit Planning Report and the changes in our scope as detailed earlier. Subject to satisfactory completion of the outstanding items, we expect to issue an unqualified opinion on the Council's financial statements. However until work is complete, further amendments may arise. As the audit is ongoing and many areas are subject to Manager and Engagement Partner review, we will continue to challenge the remaining evidence provided and the final disclosures in the Accounts which could influence our final audit opinion. A list of outstanding items can be seen at Appendix D.

Audit differences

Corrected and uncorrected differences

At the date of this report we have not identified any audit differences (corrected or uncorrected)

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

Until we complete all of our audit procedures, as noted in the status of opinion audit above and on subsequent slides, along with our final Manager and Engagement Partner review, further adjustments may be identified.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Rochford District Council a commentary against specified reporting criteria (see below) on the arrangements the Rochford District Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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

Executive Summary

Value for money - progress update

At the time of our Indicative Audit Plan, we were yet to commence with our value for money (VFM) risk assessment. We have now completed this work and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. However the work remains subject to final review from Engagement Partner.

As a result, we currently have no matters to report by exception in the auditor's report (see Section 03) or in the Auditor's Annual Report which will be issued to the Council three months after the date of the final 2020/21 audit opinion for the Council.

Independence

Please refer to Section 09 for our update on Independence.

Control observations

During the audit, and to date, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. This is because HM Treasury (HMT) are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance is not expected to be available until December 2021. Therefore the 2020/21 WGA component instructions will not be available for auditors to consider until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process. Although, as in previous years we expect the Council to be below the threshold that required us to undertake any detailed procedures, we are not able to issue our certificate until the Group Audit Instructions are issued, and we have completed any work required.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Indicative Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of Rochford District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements from the work completed to date.
Incorrect capitalisation of revenue expenditure	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure.

Area of audit focus	Findings & Conclusions
Valuation of land and buildings	We sample tested a number of assets to gain assurance that the key assumptions and inputs into valuations were supportable and that the resulting valuations were materially accurate. Our work in this area is substantially complete and there are no matters to be reported at this stage of the audit.
Pension liability valuation and disclosures	We have reviewed the accounting entries and disclosures in the draft financial statements and assessed the work of the actuary. We have substantially completed our planned procedures, with the exception of the receipt of the report from EY Pensions specialist to provide a parallel actuarial model to confirm the material accuracy of the actuary's IAS19 estimation procedures. Once complete this work will be subject to Engagement Partner review.
Going concern disclosures	Our going concern work is yet to be concluded.
Recognition of grant income associated with Covid-19	We have substantially completed our work on above procedures and have not identified any issue as of the date of this report. However the work remains subject to Engagement Partner review.



02

Areas of Audit Focus

6.13



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate 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. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused our testing on accounting estimates which include pension liability, property valuation, and bad debts provision including NNDR appeals provision. Also performing mandatory procedures including testing of journal entries.

What did we do?

This is a risk that we recognise on all engagements. Our overall response to this for Rochford District Council was:

- ▶ Assessment to identify fraud risks during the planning stages.
- ▶ Inquired management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimates for evidence of management bias and evaluating the business rationale for significant and unusual transactions.
- ▶ We have utilised our data analytics capabilities to assist with our work.

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What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

The work remains subject to Engagement Partner review.



Areas of Audit Focus

Significant risk

Inappropriate capitalisation of revenue expenditure

What is the risk?

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.

What judgements are we focused on?

Whether management have appropriately classified expenditure as capital in nature

What did we do?

We have undertaken additional procedures to address the specific risk we have identified, which included:

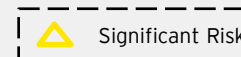
- For significant additions to property, plant and equipment, we have examined invoices, capital expenditure authorisations, leases and other data that support these additions. We have ensure that they have been correctly classified as capital in line with accounting standards and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- Reviewed Revenue Expenditure Funded from Capital Under Statute (REFCUS), to verify that revenue costs have not been inappropriately funded from capital. However the amount is below our materiality (i.e. £504K), hence we didn't perform any further testing.
- We have extended our testing of items capitalised in the year by lowering our testing threshold. We have also review a random sample of capital additions below our testing threshold.
- Journal testing - we have used our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

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What are our conclusions?

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

The work remains subject to Engagement Partner review.





Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Valuation of land and buildings

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.

What have we done and our conclusions?

We have:

- ▶ Considered 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;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code;
- ▶ Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation and if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

We have substantially completed our work on above procedures and have not identified any issue as of the date of this report. This work remains subject to Engagement Partner review once complete.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Pension liability valuation and disclosures

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 £27.3m (31 March 2020 - £26 million).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

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.

What have we done and our conclusions?

To address this risk, we have carried out a range of procedures including:

- ▶ Liaised with the auditors of Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Rochford District Council. We are currently waiting for a response from the pension fund auditors;
- ▶ Assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Reviewed Essex Pension Fund's draft financial statements and compared the year end asset values with the estimates used by the actuary in producing the Council's IAS 19 report and considered the impact on the Council's pension fund liability and IAS19 disclosures; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

ISA540 (revised) requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. 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 Council's actuary. We have provided the necessary information to EY pensions team to carry out their procedures, and are currently waiting for the review report from them.

We have completed the procedures other than the additional work noted above and analysis of response from Essex Pension Fund auditors. Once completed, the work will need to be subject to Engagement Partner review.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Going concern disclosures

Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

In addition, the auditing standard, International Auditing Standard 570 Going Concern, has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that an Council's financial statements shall be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription.

However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What have we done and our conclusions?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Council obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ ensuring compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

We have requested a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure and the impact of the ongoing impact of Covid-19 on future financial planning.

We will review the going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We will consider whether you have included necessary disclosures regarding any material uncertainties that do exist.

Should the need arises we may need to consult on the Council's disclosures in line with our internal consultation requirements.

Our work on going concern is yet to be concluded, as set out in Appendix D of this report.

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Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Recognition of grant income associated with Covid-19

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.

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.

What have we done and our conclusions?

We have:

- ▶ Considered the revenue and capital grants received by the Council;
- ▶ Responsive to the risk, carried out testing to ensure the accounting treatment and recognition applied to grant income is appropriate.
- ▶ On a sample of the grant and funding population we have:
 - Reviewed the Council's decision for new grant or funding arrangements whether it is acting as principal or agent;
 - Reviewed whether any initial conditions are attached to grants impacting their recognition;
 - Assessed whether the accounting appropriately follows those judgements.

We have also checked that the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

We have substantially completed our work on above procedures and have not identified any issue as of the date of this report. The work remains subject to Engagement Partner review once complete.



03 Audit Report



Draft audit report

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCHFORD DISTRICT COUNCIL

Opinion

We have audited the financial statements of Rochford District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- the related notes 1 to xxxxxxx
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to xxxxxxx
- Collection Fund and the related notes 1 to xxxxxxx

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Rochford District Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority/group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast

significant doubt on the authority's ability to continue as a going concern for a period of xxxxxxx months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the statement of accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects



Audit Report

Our opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on pages xxxxxxxx, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:
 - Local Government Act 1972,
 - School Standards and Framework Act 1998,
 - Local Government and Housing Act 1989 (England and Wales),
 - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - Education Act 2002 and school Standards and Framework Act 1998 (England)
 - Local Government Act 2003,
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,

- Waste and Emissions Trading Act 2003,
- National Health Service Act 2006,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

- We understood how Rochford District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the council's committee minutes, through enquiry of employees to confirm council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the [name of body] had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General



Audit Report

Our opinion on the financial statements

determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Rochford District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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.

Certificate

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

Use of our report

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

Debbie Hanson
Emst & Young LLP (Local Auditor)
City:
Date:



04 Audit Differences



Audit Differences

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

Summary of Audit differences as at the date of this report

We have noted that the draft statement of accounts prepared by management was again of a very good quality with only minor disclosure amendments required.

At the date of this report we have not identified any corrected or uncorrected audit differences.

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

Until we complete all of our audit procedures, as noted in the status of opinion audit above and on subsequent slides, along with our final Manager and Engagement Partner further adjustments may be identified.



05

Value for Money

6.26

Value for Money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

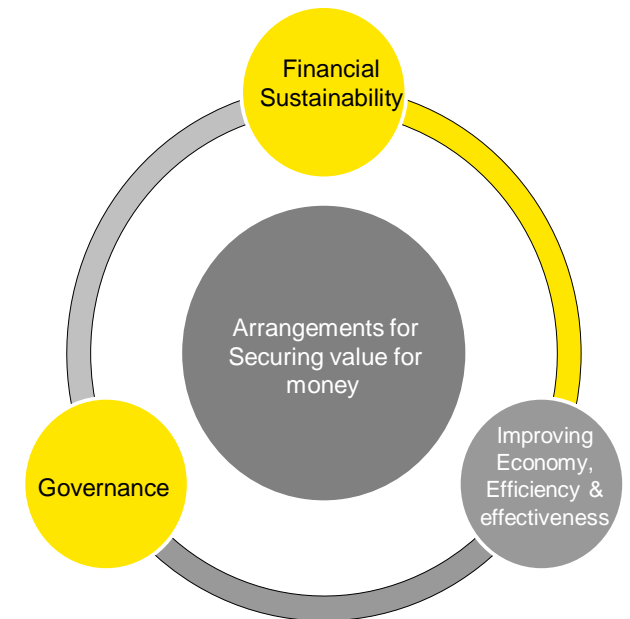
Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

No significant risks were identified through our risk assessment.

The Council's responsibilities for value for money

We have substantially completed our work on VFM arrangements and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We currently have no matters to report by exception in the audit opinion. Our work remains pending final review by the Engagement Partner.



Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.



06 Other reporting issues

6.28

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year ended 2020/21 with the audited financial statements.

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

Financial information in the Statement of Accounts for the year ended 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

We have not yet been able to perform the procedures required by the NAO on the WGA submission. This is because HM Treasury (HMT) are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until December 2021. Therefore the 2020/21 WGA component instructions will not be available for auditors to consider until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process. Although, as in previous years we expect the Council to be below the threshold that required us to undertake any detailed procedures, we are not able to issue our certificate until the Group Audit Instructions are issued, and we have completed any work required.

Other reporting issues

Other reporting issues

Other powers and duties

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

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

Other matters

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

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report as of the date of this report.

6.30



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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

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



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the general ledger. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We have substantially completed our work on journal entries and have found no exceptions to report as of the date of this report. The work remains subject to review by the Engagement Partner.



09

Independence

6.36

Confirmation of independence and analysis of 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	Planned 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)	23,181	16,495	23,181
Additional fee for scope changes and specific in year risks (Notes 1 and 2)	TBC	-	5,395
Total audit fees	TBC	53,191	65,272

All fees exclude VAT

Notes on fees

Note 1: As reported in our Indicative Plan, 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 have proposed an increase in the scale fee of £23,181 (from £36,696 to £59,877) for both 2019/20 and 2020/21. We have discussed our estimate and position on audit fees with the Assistant Director Resources (Section 151 Officer) and have submitted our fee estimate to PSAA. 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.

Note 2: For 2020 /21, the scale fee represents the base fee, i.e. not including any additional audit work. However, this will be impacted by a range of factors, as detailed in the Indicative Audit Plan, including Covid-19, additional risks identified relating to grants, and additional work required to be performed as per ISA540 requirements, which have resulted in additional work. We are not able to quantify the additional work or fee at this stage as our audit is still in progress, but will discuss this with management as our audit concludes and the scope and scale of any additional work can be clarified.

In addition to the above, PSAA published additional information for 2020/21 audit fees in August 2021, whereby PSAA provided guidance about the range of minimum additional fee in certain areas of audit, e.g. minimum additional fees audits for a district council audit for new VFM arrangements requirements £6,000 - £11,000 and ISA540 (accounting estimates) requirements £2,500. PSAA also revised its hourly rates for calculating the additional fee variations.

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf



10 Appendices

6.39

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	Substantively tested all relevant Assertions	No change
Property, plant and equipment	Fully substantive approach. Engaged with EY Real Estate	Fully substantive approach. Engaged with EY Real Estate	No change
Trade payables	Fully substantive approach	Fully substantive approach	No change
Cash and Investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Grants	Fully substantive approach	Fully substantive approach	No change
Pensions	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	Substantively tested all relevant assertions	We engaged our pensions specialists due to the requirements of ISA540 (revised)

6.40

Appendix B



Summary of communications

Date	Nature	Summary
23 February 2021	Meeting	The engagement partner and manager met with the finance team and s151 officer for a regular liaison/planning meeting.
16 March 2021	Audit Committee	The partner in charge and manager of the engagement attended the audit committee
16 March 2021	Report	The audit planning report, including confirmation of independence, was presented to the audit committee.
25 May 2021	Meeting	The partner in charge and manager of the engagement discussed the revised schedule of audit with S151 Officer and finance team.
3 December 2021	Report	The provisional audit results report, including confirmation of independence, will be issued to the audit committee.
15 December 2021	Audit Committee	The partner in charge and manager of the engagement will attend the audit committee
Weekly meetings throughout October/ November/ December 2021	Meeting	The EY audit team met regularly to discuss the progress of the audit with Council's Finance team




Appendix C

Required communications with the Audit and Governance Committee




There are certain communications that we must provide to the Audit and Governance Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Indicative Audit planning report - 8 March 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Indicative Audit planning report - 8 March 2021
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - 3 December 2021

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report - 3 December 2021
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - 3 December 2021
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report - 3 December 2021
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility. 	Audit results report - 3 December 2021

Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report - 3 December 2021
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Indicative Audit planning report - 8 March 2021 and Audit results report - 3 December 2021
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Indicative Audit planning report - 8 March 2021 and Audit results report - 3 December 2021
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report - 3 December 2021




Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report - 3 December 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report - 3 December 2021
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - 3 December 2021
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit 	Indicative Audit planning report - 8 March 2021
Value for money commentary	A commentary on the arrangements in place during 2020/21 to achieve value for money, and any recommendations we may make to improve those arrangements.	Auditor's Annual Report - January/February 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Pensions	Receipt and review of report from EY Pensions specialists related to the work required to address the requirements of ISA540 (Revised) on accounting estimates Receipt of response from Essex Pension Fund auditors and our analysis/review of this response	EY
Other income / COVID grant income	Documentation in our file in relation to some minor queries	EY
Journals testing	To complete our documentation on audit procedures performed for our selected sample	EY
Unrecorded liabilities testing	Testing of material bank transactions for the two remaining months (i.e. October/ November 2021)	EY and Management
Going concern disclosures	Review and documentation of our work being on the updated going concern disclosures and cashflow forecasts (to December 2022)	EY
Completion procedures	These include our finalisation procedures, receipt of final version of financial statements, obtaining signed representation from management, subsequent events review, final checks on financial statements and other sign off procedures.	EY and Management
Clearance of queries arising from review by Engagement Partner and Manager	Ongoing review process	EY

6.46

DRAFT Management representation letter

Management Representation Letter - DRAFT

Date xxxxxxx

Ernst & Young
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Rochford District Council (“the Council”) for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the financial position of Rochford District Council as 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of council financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

Management representation letter

Management Rep Letter

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements
 - Related to laws or regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others

- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and its relevant Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: xx 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

Management representation letter

Management Rep Letter

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note xx to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Statement of Accounts.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance

I. Reserves

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

Management representation letter

Management Rep Letter

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment and the IAS19 actuarial valuations of pension fund liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialist.

K. Property valuation and Pension Liability Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on property and pension valuation and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

S151 Officer

Chairman of the Audit Committee

Appendix F

Accounting and regulatory update

Future accounting developments

Since the date of our last report to the Audit Committee, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Rochford District Council
IFRS 16	The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. The Council will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2020/21.	<ul style="list-style-type: none">▶ Consider systems impact and need to gather information for comparatives▶ Consider timetable to implementation

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