



Accountants &
business advisers

Rochford District Council

**Report to those charged with
governance**

September 2008

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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.

1 Executive Summary

- 1.1 This report summarises the results of the work completed to date for the 2007/08 financial year and is presented to Members in accordance with the provisions of International Auditing Standard 260 (ISA 260), which requires us to communicate our audit findings to “those charged with governance”, prior to issuing our opinion on your Statement of Accounts and our conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness in your use of resources (our VFM conclusion).

Findings and conclusions

- 1.2 A summary of audit findings and conclusions is included in the table below:

Area of audit	Findings & Conclusion
Accounts	
Key financial systems	The key financial systems are adequate as a basis for preparing the financial statements and no significant control weaknesses were identified that impacted on our opinion.
Statement of Accounts	<p>No material errors were identified as a result of audit work.</p> <p>Three non-trivial, but not material, errors have been identified and these are detailed in Appendix C.</p> <p>The quality of the accounts and the underlying audit trail has improved significantly compared the position for 2006/07. This is a direct consequence of the improvement actions taken by the Council's finance team to address shortcomings identified last year and discussed constructively with them as part of our de-briefing. We would like to take this opportunity to congratulate the team for turning the position around successfully.</p> <p>We are satisfied that the Annual Governance Statement (AGS) is not inconsistent or misleading with other information we are aware of from our audit of the Statement of Accounts.</p> <p>Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified opinion on the Statement of Accounts.</p>
Use of Resources	
Use of resources judgements	We have completed the initial phase of our use of resources judgements to assist with the provision of the VFM conclusion. At this stage, we are satisfied that the Council has demonstrated that it has at least adequate arrangements in place and therefore the use of resources judgements do not suggest we should qualify our VFM conclusion.
Data Quality	The Council have worked hard to improve its management arrangements for data quality. This has ensured that arrangements are “adequate” for VFM conclusion purposes.
Best Value Performance Plan	We issued an unqualified opinion on the 2007/08 BVPP.
VFM Conclusion	Based on the work undertaken to date we expect to issue an unqualified VFM conclusion.

Acknowledgement

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

2 Introduction

- 2.1 Our Annual Audit and Inspection Plan for 2007/08 outlined the work we would be carrying out at Rochford District Council (the Council) in order to meet our responsibilities under the Audit Commission's Code of Audit Practice.
- 2.2 This report summarises the results of our audit work completed to date in respect of the Council's Statement of Accounts and the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2.3 Our report is presented to Members in accordance with the provisions of International Auditing Standard 260 (ISA 260) which requires us to report certain matters to "those charged with governance", prior to issuing our opinion on the Statement of Accounts and conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness in your use of resources.

Findings

- 2.4 Detailed recommendations in response to the key findings identified by our audit are provided in the action plan as Appendix A. These recommendations have been discussed with appropriate Officers and their responses are included.
- 2.5 In this report we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and control systems or arrangements to secure economy, efficiency and effectiveness, but only those matters which have come to our attention as a result of the audit procedures performed. We support, but have not restated, recommendations already made by Internal Audit.

Status of our report to the Council

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

Independence

- 2.7 We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditor and that our independence declaration, included in the Annual Audit and Inspection Plan 2007/08, has remained valid throughout the period of the audit.

3 Accounts

Requirements

- 3.1 The Council is required to publish an audited Statement of Accounts in accordance with proper practices as set out in CIPFA/LASAAC's Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (SORP). The Head of Finance, Audit and Performance Management is responsible for the preparation of the accounts in accordance with the SORP.
- 3.2 The Code of Audit Practice requires us to provide an opinion on whether the Statement of Accounts presents fairly the financial position of the Council and its income and expenditure for the year, and whether it has been properly prepared in accordance with appropriate legislation.

Systems, risks and materiality

- 3.3 In carrying out this work we consider:
- the extent to which your accounting and internal control systems are a reliable basis from which to prepare the accounts
 - the robustness of your accounts preparation processes.
- 3.4 In carrying out this review, we shall consider the environment within which those controls operate and evaluate specific controls that respond to significant risks. Following our evaluation, we will assess whether we shall be placing reliance on particular controls and where reliance is to be placed will conduct testing of the relevant controls.
- 3.5 Your key financial systems are:
- Main Accounting System
 - Cash and bank
 - Payments and creditors
 - Income and debtors
 - Payroll and employment costs
 - Information technology
 - Council tax
 - Housing and council tax benefits
 - NNDR
 - Housing rents income
 - Investments and investment income
- 3.6 We also consider the risk of material misstatements, including the risk of fraud and error, which may have an impact on our opinion. This requires us to:
- review the adequacy of the financial systems for accounting for transactions
 - review internal controls that are designed to prevent, or detect and correct, misstatements in the accounts
 - review the arrangements for preparing the Statement of Accounts
 - select and test transactions and balances, including review of significant balances against expectations and substantiate individual items
 - assess the significant estimates and judgements made by officers in preparing the accounts
 - consider the adequacy of presentation and disclosures included in the Statement of Accounts.

Reporting to those charged with governance

- 3.7 In accordance with the requirements of auditing standards, auditors are required to communicate relevant matters relating to the audit to “those charged with governance”.
- 3.8 In particular we are required to report:
- qualitative aspects of accounting practices and financial reporting
 - final draft letter of representation to be agreed by management and those charged with governance
 - unadjusted misstatements
 - expected modifications to the audit report
 - material weaknesses in accounting and internal control systems identified during our work
 - matters required to be communicated by other ISAs
 - any other audit matters of governance interest.
- 3.9 Our comments in each of these areas are set out below:

Accounting practices and financial reporting

Application of accounting policies

- 3.10 The key changes introduced by the 2007 SORP were:
- the introduction of a revaluation reserve, with a “Year 1” nil opening balance;
 - the introduction of the Capital Adjustment Account which replaces the Fixed Asset Restatement Account and the Capital Financing Account; and
 - the introduction of Financial Reporting Standards 25, 26 and 29 relating to the accounting treatment for financial instruments.
- 3.11 The Council has dealt with the implementation of these changes in an appropriate manner and assisted the audit in the review of the changes required.

The accounts preparation process

- 3.12 As part of our planning for the audit, we prepared a detailed document request which outlined the information that we required to complete the audit. The Council provided us with files of comprehensive working papers and draft accounts on 11 August 2008 which was the date the audit commenced.
- 3.13 The draft accounts were prepared to a good standard, and were a significant improvement on the previous years draft accounts. There continues to be a number of presentational errors which could be resolved by the officer review which is undertaken prior to the draft accounts being submitted to members for approval.
- 3.14 The draft accounts were supported by clear working papers and audit queries and requests for additional information were responded to promptly.

Testing of transactions and balances

3.15 As part of our audit, all material balances were subject to testing. The following matters have arisen from our work which we bring to your attention:

- Impact of the Large Scale Voluntary Transfer (LSVT)
- Valuation date of assets
- Out of date un-presented cheques

Impact of the LSVT

3.16 The Council transferred its Council housing stock to Rochford Housing Association during September 2007. This has had a significant impact on the 2007/08 financial statements with increased disclosure requirements and complex accounting treatment being applied.

3.17 The Council consulted early on proposed accounting treatment and the basis on which amounts would be disclosed in the accounts. A pro-active approach has resulted in no errors being identified during our review.

3.18 Some additional narrative on the transactions has been included in the accounts to better enable users to understand the significant nature of the transactions.

Valuation date

3.19 The Council has historically used the valuation report as at 1 April each year to form the basis of the revaluation on the previous day (31 March). This means that the Council were revaluing its assets on the final day of the financial year. This is not in accordance with the SORP, which requires the assets to be revalued on the first day of the financial year.

3.20 The correct treatment would be to use the valuation report on the 1 April 2008 in the 2008/09 financial statements. This information has been currently used in the 2007/08 financial statements. Using the wrong year's valuation reports has resulted in the depreciation charge for the year being overstated by £79k and a balance sheet only understatement of fixed assets net book value and revaluation reserve of £1,275k.

3.21 No amendment has been made in the current years accounts, but it has been agreed that the valuation date will be corrected in future years.

Out of date un-presented cheques

3.22 The review of the bank reconciliation identified £28k of cheques written by the Council that were un-presented and over six months old at the balance sheet date. The age of these cheques means that they will not be cashed, therefore it is inappropriate to include them in un-presented cheques. These cheques should be removed from the reconciliation, which would result in both the cash balance and the creditors balance increasing.

3.23 These cheques all relate to Housing Benefits. The revenues section are currently undertaking a review of their aged debts which will result in these un-presented cheques being written off.

Adequacy of disclosures

3.24 There were a number of minor presentational amendments have been made to the accounts that were approved in June 2008.

Letter of representation

3.25 The draft letter of representation has been attached as Appendix B. We do not anticipate any changes being required in clearing the remaining issues before providing our opinion on the Council's Statement of Accounts.

Unadjusted misstatements

- 3.26 We set out at Appendix C all of the non-trivial misstatements which we noted during the course of our audit that were not adjusted in the final approved accounts.
- 3.27 We will obtain written representation, both from the Head of Audit, Finance and Performance Management and on behalf of the Committee, of the reasons for not making the amendments noted in Appendix C.

Audit report

- 3.28 At the time of drafting this report we are proposing to issue an unqualified opinion on the Statement of Accounts in accordance with the statutory deadline of 30 September. However, there are still some uncleared review questions that could have an impact on our proposed audit report, so we will provide a verbal update on progress in clearing these points at the presentation of this report to the Audit Committee.

Accounting and internal control systems

- 3.29 We have reviewed the key financial systems in place across the Council, which contribute to the preparation of a materially accurate Statement of Accounts, to assess the extent to which we can place reliance on them for this purpose.
- 3.30 Under Auditing Standards we also have a responsibility to give specific consideration to the potential risk of material misstatement in the Statement of Accounts due to fraud and error, including the risk of fraudulent financial reporting.
- 3.31 The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect material fraud and corrupt practices lies with management and those charged with governance.
- 3.32 Our approach to the audit of the financial systems has involved considering key control areas for each system and satisfying ourselves that they are operating as intended and are sufficient to prevent material misstatements within the Statement of Accounts. In assessing the reliability of systems as a basis for providing financial information, systems notes were prepared for each financial system and we have evaluated the controls within those systems, with particular focus on assessing whether the controls in place to mitigate significant risks are suitably designed and operating as intended to meet their objective.
- 3.33 Where possible, we have placed reliance on Internal Audit's work and thereby avoided unnecessary duplication of audit effort. To ensure this approach was valid, we have undertaken the following:
- reviewed Internal Audit's working papers and reports
 - considered the robustness of the key financial systems on the evidence of this work
 - rely on Internal Audit's evaluation of controls and re-perform a sample of their testing of the effectiveness of controls, to ensure that their conclusions are soundly based
 - considered Internal Audit's review of the effectiveness of internal control.
- 3.34 In order to identify the fraud risks, and the controls you have put in place to mitigate those risks, we have:
- discussed your anti fraud and corruption arrangements with officers and those charged with governance
 - considered the extent to which the work of Internal Audit is designed to detect material misstatements in the accounts arising through fraud
 - made inquiries regarding instances of actual fraud you have identified.

Conclusion

- 3.35 The Council's key financial systems are generally adequate as a basis for preparing the Statement of Accounts and no significant control weaknesses were identified as a result of our audit.
- 3.36 However, the following control weaknesses were noted that should be addressed by management and which required additional audit effort in providing our opinion on the Statement of Accounts.
- 3.37 Journals were not being appropriately authorised and as the balance was significant additional testing was undertaken to ensure journals being raised were valid and supported. Our detailed testing of a sample of journals raised highlighted no areas of concern.

Matters required to be reported by other auditing standards

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

Other audit matters of governance interest

Annual Governance Statement

- 3.39 In June 2007 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published Delivering Good Governance in Local Government: Framework. This framework, and the accompanying guidance notes, replaces the previous CIPFA/SOLACE framework, Corporate Governance in Local Government – A Keystone for Community Governance: Framework, which was published in 2001.
- 3.40 The framework applies to all local government bodies and is directly relevant to a number of use of resources Key Lines of Enquiry (KLOE), in particular the three internal control KLOE.
- 3.41 Of particular importance is the introduction through the CIPFA/SOLACE framework, from 2007/08, of an integrated "annual governance statement". This subsumes the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment)(England) Regulations 2006) for the production of a statement on internal control (SIC).
- 3.42 The framework reflects the Commission's own definition of corporate governance as:
*"... about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.
It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities."*
- 3.43 The Council has a responsibility to publish a Governance Statement, including the outcome of a review of its effectiveness, with its 2007/08 Statement of Accounts.
- 3.44 We have completed our review of the AGS content to satisfy ourselves that the AGS, and the supporting effectiveness review that was undertaken, is not misleading or inconsistent with other information we are aware of from our audit of the Statement of Accounts.

4 Use of Resources

- 4.1 The Audit Commission's Code of Audit Practice requires us to be satisfied that proper arrangements have been made by the Council to secure economy, efficiency and effectiveness in the use of resources (value for money).

Value for money conclusion

- 4.2 Our VFM conclusion is based on considering the results of the Use of Resources Key Lines of Enquiry (KLoE) assessment and the results of the Data Quality management arrangements (Stage 1) assessment. The conclusion also draws on the results of local risk based audit work, as well as consideration of the Council's processes underpinning its review of the effectiveness of its controls as described in the Annual Governance Statement.
- 4.3 The Use of Resources KLoE assessment work has not yet commenced but will have been sufficiently completed to enable the delivery of the VFM conclusion by 30 September and will be finalised in November 2008, as required by the Audit Commission's timetable for quality assurance. A detailed report of findings will be provided to Officers later in the year.
- 4.4 The Data Quality management arrangements assessment has been sufficiently completed to enable the delivery of the VFM conclusion and will be finalised in October 2008, as required by the Audit Commission's timetable. A detailed report of findings will be provided to Officers later in the year.
- 4.5 This work will contribute to forming our overall conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of resources, as audited bodies are required to reach expected minimum requirements in each of the 12 VFM conclusion criteria reviewed, to achieve an unqualified opinion.

Proposed conclusion

- 4.6 Based on the work undertaken to date we expect to give an unqualified VFM conclusion.
- 4.7 A draft conclusion is included in Appendix E. We will provide a verbal update to the Audit Committee at the meeting.

Statutory report on the 2007/08 Best Value Performance Plan

- 4.8 The audit of the Best Value Performance Plan 2007/08 ("BVPP") was completed in 2007 and we reported that the Council had prepared and published its BVPP in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government. An unqualified opinion was issued on 19 December 2007.
- 4.9 No recommendations have arisen from this work.

5 Fee information

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

5.2 The proposed audit fees were set out in the Annual Audit and Inspection Plan 2007/08:

Audit plan 2007/08	Planned fees £	Actual fees £
Code of Audit Practice		
Accounts	57,900	57,900
Use of Resources	39,800	39,800
Planning and reporting	27,200	27,200
Subtotal audit	124,900	124,900
Inspection	21,108	21,108
Total audit and inspection	146,008	146,008
Grants	35,000	33,484
Questions and objections	-	-
Total	181,000	179,492

5.3 The grant claims fee represents charges made in respect of the certification of claims for the year ended 31 March 2007. The fee estimate for this work was included within the 2007/08 Audit and Inspection Plan.

5.4 The accounts fee outturn is as budgeted, representing a £5k (£8k before inflation) decrease on 2006/07 fees as a direct consequence of improvements made by the Council's finance team in the accounts and underlying working papers.

Appendix A: Recommendations arising from our audit

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
Valuation date					
The valuation report on the 1 April 2008 has used to value the assets on the 31 March 2008. This is incorrect, and the 1 April 2008 report should have been used to inform the 31 March 2009 accounts.	Revise the Valuation accounting policy to ensure that the valuation figures are included in the correct financial year	High	Agreed. Valuation report for 1 April 2008 will be used for 2008/09 closure of accounts.	Carrie Watkins Financial Services Manager	May 2009
Un-presented cheques					
The bank reconciliation includes £28k of un-presented cheques that were over six months old as at the 31 March 2008. Due to the age of these cheques they are unlikely to be cashed.	Undertake a critical review of un-presented cheques and remove items that will not be cashed.	Medium	Agreed. All un-presented cheques identified in this report have now been investigated and either the cheques have been stopped/reissued, written back against an outstanding overpayment or cancelled altogether in appropriate circumstances. Process control now in place. Documented procedure to be drawn up to underpin new process by 30 th November 2008	Nick Scott Revenues & Benefits Manager	Nov 2008

Appendix B: Draft letter of representation

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

30 September 2008

Dear Sirs

Statement of Accounts of Rochford District Council for the year ended 31 March 2008

1 Representations of the Head of Audit, Finance and Performance Management

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

2 Responsibility for the Statement of Accounts

I acknowledge as the Head of Audit, Finance and Performance Management and s151 Officer my responsibilities for the Statement of Accounts.

3 Completeness of information

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

4 Internal control

I acknowledge my responsibility for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement of Accounts that are free from misstatement, whether arising from fraud or error.

5 Fraud

I have disclosed to you the results of my assessment of the risk that the Statement of Accounts could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting materially the Statement of Accounts, nor have any allegations of fraud or suspected fraud been communicated to me by employees, former employees, councillors, regulators or others which might affect materially the Statement of Accounts.

6 Compliance with law and regulations

I am not aware of any possible or actual instances of non-compliance with laws or regulations which are central to the Council's ability to carry on business or which would otherwise have a potentially material effect on the Statement of Accounts.

7 Transactions with related parties

I confirm that I have put in place appropriate arrangements to identify related party transactions.

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

8 Contingent liabilities

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

9 Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- | | |
|--|-------|
| • Rate of inflation | 3.6 % |
| • Rate of increase in salaries | 5.1% |
| • Rate of increase in pensions | 3.6% |
| • Rate for discounting scheme liabilities | 6.1% |
| • Take up option to convert the annual pension into retirement grant | 50.0% |

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

10 Subsequent events

There have been no events since the balance sheet date which necessitate revision of the figures included in the Statement of Accounts or inclusion of a note thereto where revisions of the Accounts have not been made or notes not included. Should any material events occur, which may necessitate revision of the figures included in the Statement of Accounts or inclusion of a note thereto, I will advise you accordingly.

Yours faithfully

Yvonne Woodward

Head of Audit, Finance and Performance Management

*Representations of the Council***1 Responsibility for the Statement of Accounts**

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the Statement of Accounts.

2 Uncorrected misstatements

We have considered the uncorrected misstatements in the Statement of Accounts as listed in Appendix 1 to this letter together with the explanations provided by the Head of Audit, Finance and Performance Management for not correcting these misstatements, and we consider them to be immaterial to the view given by the Statement of Accounts.

2 Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

Councillor J Thomass
Chair of the Audit Committee

Signed on behalf of the Council

Appendix C: Unadjusted misstatements

The table below details the potential differences recorded during the audit which are not adjusted for currently within the Statement of Accounts:

Unadjusted misstatements	Income Over/ (Under) £'000	Expenses Over/ (Under) £'000	Assets Over/ (Under) £'000	Liabilities Over/ (Under) £'000	Reserves Over/ (Under) £'000	Management comments
Misstatements of fact (specific misstatements)						
Adjustment to enable valuation report to reflect the net book value of the assets at the 31 March 2008.	-	-	(1,275)	-	(1,275)	The valuation method used had been accepted by PKF for a number of years. Amendments will be made next year.
Depreciation charge when the correct valuation date was used	-	79	(79)	-	-	Not amended as depreciation charge is reversed out in the Accounts so no effect on the General Fund balance.
Write off of un-presented cheques which were greater than six months old	-	-	(28)	(28)	-	Not amended because the net effect on the Balance Sheet is zero
Total net misstatements	-	79	(1,382)	(28)	(1,275)	

Appendix D: Draft audit opinion

Independent auditor's report to the Members of Rochford District Council

Opinion on the financial statements

We have audited the accounting statements and related notes of Rochford District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Head of Audit, Finance and Performance Management and auditor

The Head of Audit, Finance and Performance Management's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

_____ Date: _____

PKF (UK) LLP

16 The Havens, Ransomes Europark, Ipswich Suffolk, IP3 9SJ

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Rochford District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 on 19 December 2007. We did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

_____ Date: _____

PKF (UK) LLP

16 The Havens, Ransomes Europark, Ipswich Suffolk, IP3 9SJ

Appendix E: Reports issued in respect of 2007/08

Annual Audit and Inspection Plan	May 2007
Opinion on 2007/08 BVPP	December 2007
(2006/07) Use of Resources report	February 2008
(2006/07) Data Quality report	January 2008
Health Inequalities	March 2008
Performance Management	July 2008
Final report to those charged with governance	September 2008