



Accountants &
business advisers

Rochford District Council

Report of the auditor to those charged with governance

2006/07

September 2007

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1 Executive Summary

- 1.1 This report summarises the results of the work completed to date for the 2006/07 financial year and is presented to Audit Committee 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 the Statement of Accounts and our conclusion on the use of resources.

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.
Statement of Accounts	<p>There were three material issues identified during the course of the audit. Major changes were required this year to the presentation of the accounts because of accounting changes. This required the 2005/06 figures to be represented in the new format to provide comparative figures. Two issues reported below relate to the representation of the accounts for 2005/06 and did not require changes to the 2005/06 accounts themselves The material errors related to:</p> <ul style="list-style-type: none"> • The sundry debtor bad debt provision being incorrectly calculated. This resulted in the provision being understated by £326k. • The Housing Revenue Account figure included in the 2005/06 Income and Expenditure Account was understated by £1,167k due to the amount being shown in the wrong place in the statement. This error did not affect the overall revenue balances • The new format “Statement of Recognised Gains and Losses” 2005/06 comparative was not prepared correctly, resulting in a misstatement (including the above error) of £4,378k. <p>These errors, and some other non-trivial but not material errors, have been corrected and the Accounts were re-submitted for Member approval on 13 September 2007.</p> <p>In addition there was one non-trivial but not material error that has not been adjusted for and this is reported in Appendix C.</p> <p>We are satisfied that the Statement on Internal Control 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 assessment to assist with the provision of the value for money conclusion. Further work will be undertaken to provide scored judgements and these will be reported separately later in the year.
Data Quality	Management arrangements to ensure the quality of reported performance information are considered adequate.
Best Value Performance Plan	We have issued an unqualified opinion on the 2006/07 BVPP.
VFM Conclusion	Based on the work undertaken to date we expect to issue an unqualified value for money 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 2006/07 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 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 key findings from the audit to "those charged with governance", prior to issuing our opinion on the Statement of Accounts and conclusion on the 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 We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and control systems or arrangements to secure economy, efficiency and effectiveness, but only those matters which have come to our attention as a result of the audit procedures performed.
- 2.6 We have only restated recommendations previously raised by Internal Audit if, because of their significance, we consider they warrant reinforcement.

Status of our report to the Council

- 2.7 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

- 2.8 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 2006/07, has remained valid throughout the period of the audit.

3 Accounts

- 3.1 The Council is required to publish an audited Statement of Accounts in accordance with proper practices as set out in CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (SORP). The Head of Finance, Audit and Performance 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.
- 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 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

- 3.5 In accordance with the requirements of auditing standards, auditors are required to communicate relevant matters relating to the audit to "those charged with governance".
- 3.6 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
 - uncorrected misstatements
 - expected modifications to the audit report
 - material weaknesses in accounting and internal control systems identified during our work
 - matters required to be communicated by other ISAs
 - any other audit matters of governance interest.
- 3.7 Our comments in each of these areas are set out below.

Accounting practices and financial reporting

Application of accounting policies

- 3.8 The SORP introduced significant changes to the format and requirements of the Statement of Accounts for the year. This included replacing the Consolidated Revenue Account with an Income and Expenditure Account and changes to the capital charges arrangements, amongst other amendments. The key aim of the changes in reporting guidance is to move closer to “Generally Accepted Accounting Practice” in the UK (of “UK GAAP”), i.e. closer to the way companies report.
- 3.9 The Council has generally dealt with the implementation of these changes in an appropriate manner. However, restatement of some comparative figures (i.e. those for 2005/06) and the preparation of the Statement of Recognised Gains and Losses (STRGL) caused the Council problems. The Council had recognised early on that there were issues with the STRGL and sought, with assistance from officers of a neighbouring council, and us during the audit process, to resolve the issues
- 3.10 The comparative figures prepared in the new format and included in the version of the Accounts approved by members included a number of errors (netting to £4,378k). During the course of the audit we, working with Council officers, identified that the errors in the restated STRGL were, along with a number of smaller items, the result of the following three items:
- The Housing Revenue Account figure included in the Income and Expenditure Account was understated by £1,167k. This is a matter of how the item is disclosed in the accounts and does not mean the expenditure was understated.
 - The Actuarial gain on the pension fund assets/liabilities was understated by £550k
 - The surplus in year on the Income and Expenditure Accounts had been entered into the statement as a deficit, which resulted in the original figure being understated by £4,940k.
- 3.11 The task of identifying the cause of the problems with the Accounts was made harder for all involved as a result of clarity issues in the working papers supporting the restated figures. Notable additional audit resource has been required to resolve issues to the point of being able to issue the anticipated unqualified opinion on the adjusted and re-presented Statement of Accounts.

The accounts preparation process

Accounts preparation

- 3.12 The introduction of the SORP 2006 caused significant pressure on the accounts preparation process, this coinciding with the first year of responsibility transferring to the new officer team and also the need to address time-critical issues relating to the housing stock transfer. The Accounts presented to Members for approval included unresolved differences and anomalies, and a significant number of presentational errors including the balance sheet not balancing and none of the note references linking from the Income and Expenditure account and Balance Sheet to the core notes sections.
- 3.13 The Council should review the accounts preparation timetable to ensure there is sufficient time to check the accounts prior to them being submitted to members for approval. The significant challenges presented by the introduction of the SORP 2006 are likely to be matched, if not exceeded, by the introduction of International Financial Reporting Standards (IFRSs) announced in the Budget earlier this year, so the 2006/07 position should not be regarded as a one-off challenge.

Disclosures

- 3.14 During the audit we identified a number of disclosures in the Statement of Accounts which had not been presented in accordance with the guidance in the SORP but have now been included in the Statement of Accounts. To illustrate the nature of issues raised, these included:
- The accounting policies did not include the Accounting Convention and were not complete for fixed assets valuations and depreciation
 - The Major Repairs Reserve was not shown separately on the face of the Balance Sheet.
 - A restatement note was not included that set out the key changes resulting from the changes in the SORP.
 - Related parties did not disclose the transactions that the Council had entered into with other Government bodies.
 - The fixed asset note did not separately disclose transfers.
 - The reserves note did not identify separately revenue movement and transfers between reserves.
 - The pension disclosure note covering the actuarial gain did not include disclosure of the percentage gain.
 - A note disclosing the distribution of the Collection Fund to other precepting bodies was not included
 - The previous year's surplus on the Collection fund had been included in precepts and demands line, rather than shown separately on the face of the Collection Fund.

Working papers and audit trail

- 3.15 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 items included in the listing should be no more than the Council would need to prepare a robust set of Accounts, appropriately supported.
- 3.16 The Council provided us with working papers and draft accounts at the start of the audit on 16 July 2007. However, there were a number of gaps in the working papers that were set out in the records required listing. This resulted in the audit team having to spend additional time trying to obtain documentation, which we would have expected to be included in the audit file.
- 3.17 Continued improvements in the provision of a comprehensive, cross-referenced working paper file, that meets the requirements of the Records Required Listing, would enhance the quality and robustness of the Council's draft Accounts and enable the audit to be delivered as efficiently as planned, avoiding overruns and consequent additional fees.
- 3.18 We will continue to work closely with the Finance Department staff to secure these improvements.

Analytical review

- 3.19 The Council prepared responses raised by the analytical review tool ahead of the audit start date, and additional questions raised were responded to promptly. Explanations had been provided for variances from budget on a net basis, which meant that a small number of gross material items were not explained.
- 3.20 Overall, the work undertaken by the Council in advance of our visit provided a very useful starting point for our detailed work and we consider it to have been of good quality.

Testing of transactions and balances

- 3.21 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:

Material issue: Calculation of bad debt provision

- 3.22 We note that the basis of the bad debt provisions for Council Tax, NNDR and Sundry Debtors have all been reviewed and the basis of calculating the provisions have taken into consideration the recommendations we made last year.
- 3.23 However, our review showed that the sundry debtor bad debt provision was incorrectly calculated. This was due to an error in the spreadsheets used to prepare the provision, which resulted in the year end arrears figures being omitted from the calculation. This caused the bad debt provision to be understated by £326k.
- 3.24 This is considered material to the Accounts, which has resulted in the Accounts being resubmitted to members for re-approval.

Other issues

- 3.25 A number of other, non-trivial but not material issues were identified during the course of the audit. These included:
- There were three cases where reconciliations had not been properly completed in that there remained residual unexplained differences between the two sources of information being reconciled. Any differences in the year end reconciliations should be investigated and cleared during the year end accounts closedown processes. The relevant areas were:
 - The cash overdraft figure submitted in the original version of the Accounts did not reconcile to the general ledger. Officers later identified that the cash overdraft figure was overstated by £96k and made the correction.
 - There is an unexplained difference of £2k in the reconciliation between the payments module and benefits module within Academy for rent allowance benefit awarded.
 - There is a small unexplained difference between the Benefits module and Council Tax module within the Academy for council tax benefit awarded and amounts credited to taxpayer accounts.
 - The review of the bank reconciliation identified £14k of cheques written by the Council that were un-presented and over a year 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 the overdraft reducing, and the creditors balance increasing. We recommend that, as a part of the year end closedown procedures, un-presented cheques are reviewed to identify cheques in excess of a year old which could no longer be banked by the recipient

- Our audit testing identified a number of other non material errors, all of which have subsequently been corrected for in the Accounts, including:
 - The original version of the 2005/06 Statement of Recognised Gains and Losses includes an Actuarial gain of £305k. On auditing this figure it was found that the correct figure should be a loss of £245k. The amount was correctly treated in the 2005/06 accounts but the error was made during the representation of the 2005/06 accounts.
 - The IT Strategy earmarked reserve movement of £56k was included as an increase (credit) to revenue balances rather than a decrease (debit), so overstating the balance by £112k.
 - The benefit overpayment figure (originally £396k) was found to be overstated by £56k.
 - On undertaking a review of system debtors it was identified that the balance incorrectly included a creditor of £29k.

Letter of representation

- 3.26 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 Statement of Accounts.

Uncorrected misstatements

- 3.27 We set out at appendix C the single residual non-trivial misstatement, which we noted during the course of our audit and recommend to be corrected, that have not been corrected in the Statement of Accounts to be published by the Council.
- 3.28 We will obtain written representation, on behalf of the Committee, of the reasons for not making this corrections.

Audit report

- 3.29 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 remain some final audit completion processes that we need to undertake that could have an impact on our proposed audit report, although we are not currently aware of any problems.
- 3.30 We will provide a verbal update on these matters at the presentation of this report to the Audit and Governance Committee.

Accounting and internal control systems

- 3.31 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.
- 3.32 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.
- 3.33 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.
- 3.34 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, we sought to evaluate 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.

- 3.35 We have been able to place maximum reliance on Internal Audit's work and thereby avoided unnecessary duplication of audit effort. To confirm our approach was valid, we have undertaken the following:
- reviewed Internal Audit's reports and working papers, including systems notes that they had prepared for each financial system
 - considered the robustness of the key financial systems on the evidence of this work
 - re-performed Internal Audit's evaluation of controls and 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.
- 3.36 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
 - 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.
- 3.37 The Council's key financial systems are adequate as a basis for preparing the Statement of Accounts and no significant control weaknesses were identified as a result of our audit.
- 3.38 We have made no recommendations for improvement to Internal Audit as a result of our review of their systems work and would like to take this opportunity to express our thanks for the pro-active co-operation received.

Explanatory foreword

- 3.39 The explanatory foreword includes a large amount of financial information. However, the inclusion of the following items, which are all listed within the SORP, could provide the users of the accounts with a clearer understanding of what has happened in the past year:
- a guide to the most significant matters reported in the Accounts, including a brief note explaining the significance of the pension liability
 - commentary on the major influences on the Council's income, expenditure, and cash flow
 - summary of the financial needs and resources of the Council
 - summary of the overall financial position.

Matters required to be reported by other auditing standards

- 3.40 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

Statement on Internal Control

- 3.41 The Council has a responsibility to publish a Statement on Internal Control (SIC), including the outcome of a review of its effectiveness, with its 2006/07 Statement of Accounts.
- 3.42 We have reviewed the Statement on Internal Control and the supporting review of effectiveness that has been undertaken. An additional sentence was included to explain that, whilst Internal Audit issued opinions on their individual pieces of work during the year, they did not, as required by the CIPFA Code, issue an overall opinion on the overall system of internal control within an annual report that could be read alongside the Statement on Internal Control when this was to be approved by Members. This will be addressed for 2007/08.
- 3.43 We are satisfied that the Statement is not inconsistent with the evidence provided in the review of effectiveness and our knowledge of the Council.

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 value for money conclusion is based on considering the results of the use of resources Key Lines of Enquiry (KLoE) assessment, the results of the Data Quality management arrangements assessment, and the findings of the Council's previous Corporate Assessment. Audited bodies are required to reach the expected minimum requirements in each of 12 value for money criteria to achieve an unqualified conclusion.
- 4.3 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 Statement on Internal Control.

Use of resources assessment

- 4.4 We have completed the initial phase of our use of resources assessment to assist with the provision of the value for money conclusion. We are satisfied that the Council has made sufficient progress to demonstrate that it has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 4.5 Further work will be undertaken to provide scored judgements and these will be reported in detail later in the year following the Audit Commission's timetable for quality assurance.

Data quality

- 4.6 The Council's arrangements for the quality of reported performance information are considered to be adequate. Work is currently in progress to review the accuracy of a number of reported performance indicators and the results of this work will be separately reported later in the year.

Proposed conclusion

- 4.7 Based on the work undertaken to date we expect to give an unqualified value for money conclusion and our draft conclusion is included in Appendix E.

Statutory report on the 2006/07 Best Value Performance Plan

- 4.8 The audit of the Best Value Performance Plan 2006/07 ("BVPP") was completed in 2006 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 20 December 2007.
- 4.9 No recommendations have arisen from this work.

Appendix A – Recommendations arising from our audit

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
Accounts preparation process					
The Accounts submitted for audit included a large number of presentational issues, which required amending.	Review the Accounts preparation timetable to ensure there is sufficient time to scrutinise the Accounts before being presented to members for approval.	High	Accepted. Activity on the housing transfer came to a peak at the same time as the closure of accounts and took more time than planned for. A review of the final accounts process has already been started and we will make amendments to the timetable and quality checks as a result.	Head of Finance, Audit & Performance Management	Dec 2007
Rent allowance reconciliation					
There is an unexplained difference of £2k between the payment module and the benefits module within Academy which has not been resolved.	Ensure the payments and benefits module within Academy are regularly reconciled.	Medium	Reconciliation is done monthly This is an isolated error where the difference in one month's reconciliations was not investigated properly. Reconciliations for periods either side are fully reconciled.	Revenues and Benefits Manager	Immediate
Housing benefits and council tax reconciliation					
There is an uncorrected difference between Benefits and Council Tax within Academy, which we understand to be due to timing differences.	Ensure the Benefits and Council Tax balances for benefits awarded and credited to ratepayer accounts continue to be regularly reconciled and consider adjustment if the differences exceed a set de minimis level (set as appropriate).	Medium	This is reconciled daily. There is always going to be a difference because of the timing of how payments are treated on the two different systems. This difference is treated as a "liveable difference" and is not corrected. We will consider adjustment if the difference exceeds £1,000.	Revenues and Benefits Manager	Immediate

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
Un-presented cheques					
The bank reconciliation includes £14k of un-presented cheques that were over a year old as at the 31 March 2007. 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	The reason why this occurred was because of the changeover to a new finance system. Now that the new finance system is in place, the cheques have been cancelled.	Payments & Income Manager	Immediate

Appendix B – Draft letter of representation

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

XX September 2007

Dear Sirs

Statement of Accounts of Rochford District Council for the year ended 31 March 2007

Representations of the Chief Finance Officer

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.

Responsibility for the Statement of Accounts

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

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.

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.

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 the Council and no allegations of fraud or suspected fraud affecting the Statement of Accounts have been communicated to me by employees, former employees, councillors, regulators or others.

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.

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.

Contingent liabilities

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

Uncorrected misstatements

You have brought to my attention an uncorrected misstatement in the Statement of Accounts as listed in Appendix 1 to this letter. I do not wish to correct this misstatement as I consider it to be immaterial to the view given by the Statement of Accounts.

Subsequent events

There have been no events since the balance sheet date which necessitate revision of the figures included in the Statement of Accounts or inclusion of a note thereto. Should 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

[Insert name]

Head of Finance, Audit & Performance Management

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

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

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 Finance, Audit and Performance Management for not correcting these misstatements, and we consider them to be immaterial to the view given by the Statement of Accounts.

Statement on Internal Control

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 Statement on Internal Control 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

[Insert name]

Chair of the Audit Committee

Signed on behalf of the Council

Note: Appendix 1 referred to in this letter relates to Appendix C in this report

Appendix C – Uncorrected misstatements

The table below details the potential misstatements recorded during the audit which have not been corrected within the Statement of Accounts:

Unadjusted differences	Income & Expenditure account		Balance sheet		
	Income Over/ (Under) £'000	Expenses (Over)/ Under £'000	Assets (Over)/ Under £'000	Liabilities Over/ (Under) £'000	Reserves Over/ (Under) £'000
Misstatements of fact (specific misstatements)					
Out of date un-presented cheques	-	-	14	(14)	-
Total	-	-	14	(14)	-

There are no residual unadjusted misstatements impacting upon the reported deficit on the Income and Expenditure account (or the General Fund balance).

Appendix D – Follow up of previous recommendations

Recommendations	Priority	Responsibility	Timing	Action to Date	Resolved	Revised Implementation Date
Previous recommendation						
Our review of implementation of previous recommendations identified the following progress.						
Review the bad debt provisions to ensure that the basis for calculating the provisions are appropriate	High	June 2007	Financial Services Manager	The basis for preparing the bad debt provision was reviewed, and is considered appropriate.	Yes	N/A
Review the procedures used to identify changes in the SORP, to ensure that the accounts are compliant.	Medium	June 2007	Financial Services Manager	Although the recommendation was accepted, and there were plans in place for the 2006/07 Accounts, there were a number of presentation and disclosure issues where were identified through the audit and have now been corrected. Further work needs to be done to ensure that procedures are in place for 2007/08.	No	June 2008
Review procedures to ensure that related party disclosure confirmations are received on a timely basis.	Medium	June 2007	Senior Accountant	Procedure now includes reminders by telephone. This has resulted in all members and officers completing the related party disclosure confirmations.	Yes	N/A

Appendix E – Draft audit opinion

Independent auditors' report to the Members of Rochford District Council

Opinion on the financial statements

We have audited the financial statements of Rochford District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, 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 financial statements have been prepared under the accounting policies set out within them.

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

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

The Head of Finance, Audit and Performance Management's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

PKF (UK) LLP

Ipswich

Date to be inserted

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

Authority's Responsibilities

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

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

Auditors' Responsibilities

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and 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 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 8 December 2006. We did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

PKF (UK) LLP

Ipswich

Date to be inserted

Appendix F – Reports issued in respect of 2006/07

Annual Audit and Inspection Plan	draft issued June 2006, finalised September 2006
Opinion on 2006/07 BVPP	December 2006
Use of Resources	May 2007
Report of the auditor to those charged with governance	September 2007