

Annual Governance Report

Rochdale Metropolitan Borough Council

Audit 2007/08

September 2008



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete.
- 2 This report identifies the key issues that you should consider before we issue our opinion, conclusion and certificate.
- 3 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

Financial statements

- 4 We expect to issue an unqualified opinion on the financial statements by the end of September 2008. As in previous years, the overall arrangements supporting the preparation of the statement of accounts were good.
- 5 The amendments which have been made to the Statement of Accounts and related notes to the core financial statements are designed to address some presentational items. None of these adjustments impact on the general fund balances.
- 6 Items mentioned in previous years' Annual Governance Reports have been addressed including:
 - improving the housing benefits reconciliations; and
 - reducing the significant bank balances held by schools.

Value for money

- 7 The Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008, except in respect of the arrangements in place for the management of fixed assets. Whilst there have been improvements in these arrangements compared with previous years, the key criteria were not met in full in 2007/08. As a result we plan to issue a value for money conclusion which is qualified in this respect by the end of September 2008.

Next steps

- 8 We ask the Audit Committee to:
 - consider the matters raised in the report before approving the financial statements;
 - agree the amendments included in the revised financial statements prepared by officers and as outlined in this report;
 - approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate; and
 - agree the recommendations at Appendix 1.

Financial statements and Annual Governance Statement

- 9 The financial statements and Annual Governance Statement are important means by which Rochdale Metropolitan Borough Council (RMBC) accounts for its stewardship of public funds. As Councillors you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 10 The Council has again taken a positive and constructive approach to our audit. Officers have worked hard to continue to develop the accounts preparation process, producing timely, professional accounts to a good standard supported by sound working papers. Only small changes are being made to the financial statements following the audit.
- 11 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 12 In addition, auditing standards require us to report to you:
 - the draft representation letter which we are asking management and you to sign;
 - our views about the Council's accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 13 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Appendix 2 includes audit risks specifically identified in the audit plan and shows how they have been addressed by the Council's arrangements and the audit.

Draft representation letter

- 14 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:
 - you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
 - you have approved the financial statements;
 - you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;

Financial statements and Annual Governance Statement

- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

Appendix 3 contains the draft of the letter of representation we seek from you.

Accounting policies and financial reporting

- 15 We consider the qualitative aspects of your financial reporting. Table 1 contains the relevant matters arising which are noted for your consideration.

Table 1 Accounting practice and financial reporting

Issue or risk	Finding
Qualitative aspects of financial reporting considered and matters arising:	
<i>Appropriateness of accounting policies (including non-compliance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP)).</i>	
<p>The SORP introduced new requirements as to the accounting disclosures required for financial instruments. While the SORP is silent on the accounting for interest receivable on investments, it is implicit that it should be included as part of the investment balance (in the same way that the SORP requires interest payable to be included in the loans balance). The Council had shown £0.8m of interest receivable as a debtor, which was in line with previous practice. The statements have now been amended to satisfy the new approach. Related amendments have been made to the Balance Sheet, Cash Flow Statement and disclosure notes to the financial statements for debtors, short and long term investments and financial instruments.</p>	
<i>Timing of transactions and the appropriateness of accounting estimates and judgements, including consistency of assumptions and degree of prudence</i>	
<p>Information from the auditors or the Greater Manchester Pension Fund (GMPF) and our subsequent technical guidance has been received after the approval of your financial statements, pertaining to the way the FRS 17 accounting estimate of assets is to be treated. The notes to the core financial statements have been amended to reflect this latest information and guidance. The auditors of the GMPF have notified that although the basis of estimate of FRS17 assets is consistent with previous years, the FRS17 estimated assets in the GMPF was 1.1 per cent understated by the actuary. Our technical guidance recommends a note is added to this effect. The estimated impact for RMBC recorded in the note is an additional £5.6 million estimated share of assets in the pension fund.</p>	

Recommendation

R1 Ensure that appropriate arrangements are in place to maintain the good standard of accounts preparation. Arrangements should ensure that appropriate quality checks are in place and that they cater for ongoing review and update of the compliance with SORP and detailed accounting and disclosure requirements.

Adjustments to the financial statements

16 The majority of accounting and disclosure requirements have been met in the financial statements presented for audit. Some small changes are being made to the financial statements following our audit. None of these impacts on general fund balances. Those that we regard as being non-trivial (over £500,000), including those qualitative items referred to in paragraph 14, Table 1, are identified in Appendix 3. The amendments relate to:

- the Learning Disabilities Pooled Fund balances which are now incorporated into the main statements as appropriate for a "joint arrangement that is not an entity" (JANE);
- the change in the accounting requirements and disclosure for interest receivable following the financial instruments technical guidance;
- the note for pension fund assets estimated value; and
- other adjustments to the notes to the core financial statements to address some small presentational items.

Management has agreed to adjust the financial statements for the items identified in Appendix 3. We have not identified any errors (other than those of a trivial nature) that management has declined to correct.

Recommendations

R2 Review the items being amended to minimise the risk of a recurrence in future years.

R3 Ensure the accounting requirements for joint arrangements that are not an entity are applied where appropriate.

The audit report

17 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 4 contains a copy of our draft report.

Material weaknesses in internal control

18 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Bank reconciliation

- 19 Last year we referred to the need for improvement in the bank reconciliation process, although we were able to gain the necessary assurance for opinion purposes. This year we were again able to obtain assurance in respect of the bank reconciliation, in that it was fully prepared and complete. However, the working papers reconciling the bank transactions to those in the accounts were again complex to substantiate due to their containing cumulative information and reconciling items for the year. There is a risk that this complexity could contribute to a weakness in internal control in future. To minimise this risk, year end reconciling items should be identified, explained and evidenced on the working papers when prepared. Those items resolved in the year should no longer appear as part of the reconciliation.
- 20 We also made several points last year about the housing benefits reconciliation. Our audit has found these points to have been substantially addressed this year.
- 21 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

Recommendation

- R4** Prepare clearer working papers to support the bank reconciliation and simplify the process.

Other matters

- 22 There are no other matters that auditing standards require me to report to you.
- 23 However, last year we recommended that you:
- implemented agreed changes to school bank transfers and sought to reduce any inherent risk of large bank balances held remotely; and
 - continued to monitor schools reserves and the plans for using them.

Both these recommendations have been addressed during this year.

Value for money

- 24 We are required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against twelve criteria specified by the Commission. Our conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission on 24 October 2008.
- 25 We identified a weakness in arrangements for securing value for money in respect of the criterion to put in place arrangements for the management of the asset base. On the basis of our audit work, we currently propose to issue our audit report including a value for money conclusion with one exception in respect of the criterion to put in place arrangements for the management of the asset base. A draft opinion is attached at Appendix 5.

Asset management

- 26 To assess the value for money conclusion in respect of the asset management criterion:
- *'The body has put in place arrangements for the management of its asset base'*, we refer to the more detailed Use of Resources criteria covering asset management. Two of the requirements in respect of asset management are:
 - the council has an up to date asset management plan that details existing asset management arrangements and outcomes and planned action to improve corporate asset use; and
 - the council has an annual programme of planned maintenance based on a rolling programme of property surveys.
- 27 The **asset management plan** is dated 2005 to 2008 but it has not been updated during this period and no longer reflects the Council's current asset position nor its approach to asset management. For example it does not deal with the planned move to the new offices, nor does it reflect the role of the Impact Partnership. The Council has acknowledged that the asset management plan requires significant updating and approved plans to update it in March 2008 within the Medium Term Financial Strategy. However, work to update the plan was only commenced in late August 2008 and officers anticipate that a draft of the new asset management plan will be available in November 2008.
- 28 In respect of **planned maintenance**, the programme of property surveys was completed just after the end of March 2008. However, the updated programme of maintenance based on the surveys was not brought into effect until late August 2008.

- 29 Our work has noted improvements in the Council's approach to asset management compared with previous years, particularly in respect of the completion of the assessment of backlog maintenance and of the property surveys. However, this improvement programme was not agreed with the Impact Partnership until December 2007 and there was insufficient time to implement all the developments needed within the required timescale.
- 30 We therefore propose to issue a qualified conclusion stating that the Council had adequate arrangements for securing economy, efficiency and effectiveness, except in one area. The exception is in respect of the criterion to put in place arrangements for the management of the asset base. Appendix 5 contains the wording of our draft report.

Recommendations	
R5	Update the asset management plan to ensure that it reflects the current position and approach of the Council.
R6	Implement the updated programme of maintenance based on the property surveys information.

Formal audit powers

31 We have not and do not propose to exercise our formal powers in respect of:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

Independence

- 32 The Code of Audit Practice and the Auditing Practices Board's (APB's) Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 33 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 34 We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Council

- 35 We have identified no relationships that might affect objectivity and independence.

Audit fees

- 36 We reported our fee proposals as part of the Audit Plan for 2007/08. Table 3 shows the outturn fee against the plan which was contained within the totals you had agreed.

Table 2 Audit fees

	Planned fees 2007/08 £	Actual Fees 2007/08 £
Financial opinion	204,300	204,300
Use of resources	111,400	111,400
Whole of Government Accounts	3,180	3,180
National Fraud Initiative	1,200	1,200
Total audit fees	320,080	320,080
Total inspection fee	22,120	22,120
Total audit and inspection fee	342,200	342,200

Independence

37 Under the Audit Commission's advice and assistance power it may provide non-audit services to the Council. Additional non-audit services for £53,000 were provided as part of our 2007/08 programme. No non audit services are agreed for 2008/09.

Our arrangements to ensure independence and objectivity

38 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 3.

Table 3 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none">• do not hold a financial interest in any of our audit clients;• may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and• may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none">• the general requirement to carry out work independently and objectively;• safeguarding against potential conflicts of interest;• acceptance of additional (non-audit) work;• rotation of key staff;• other links with audited bodies;• secondments;• membership of audited bodies;• employment by audited bodies;• political activity; and• gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Recommendations

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Ensure that appropriate arrangements are in place to maintain the good standard of accounts preparation. Arrangements should ensure that appropriate quality checks are in place and that they cater for ongoing review and update of the compliance with SORP and detailed accounting and disclosure requirements.					
7	R2 Review the items being amended to minimise the risk of a recurrence in future years.					
7	R3 Ensure the accounting requirements for joint arrangements that are not an entity are applied.					
8	R4 Prepare clearer working papers to support the bank reconciliation and simplify the process.					
10	R5 Update the asset management plan to ensure it reflects the current position and approach of the Council.					
10	R6 Implement the updated programme of maintenance based on the property surveys information.					

Appendix 2 – Areas of audit risk

Table 4 Key areas of judgement and audit risk

This table includes audit risks specifically identified in the audit plan and shows how they have been addressed by the Council's arrangements and the audit.

Issue or risk	Finding
Audit risks to the financial statements from 2007/08 audit and inspection plan	
<p>The 2006 and 2007 CIPFA Statement of Recommended Practice (SORP) for local government accounting standards brought significant changes to the format of the financial statements, which increases the risk of mis-statement.</p> <p>Existing complex technical requirements around capital accounting, FRS 17, reserves and provisions remain.</p>	<p>The Council has addressed these complex requirements in its preparation of the financial statements.</p>
<p>The financial statements are required to be prepared by the end of June and be audited by the end of September. Auditors continue to work with Council officers in order to continue to deliver the closure timetable and our own opinion work to the due dates.</p>	<p>The Council's officers prepared a comprehensive project plan to cover closure of the accounts and the preparation of the accounts. Regular meetings were held with officers to discuss issues and to progress the timely preparation of the financial statements and our opinion.</p>
<p>Group accounts are required by the SORP and their inclusion and preparation present additional risks to a safe audit opinion. There are numerous bodies to assess for group relationships, including the Arms Length Management Organisation (ALMO) known as Rochdale Boroughwide Housing, the Cultural Trust known as Link4Life, the strategic service partnership known as Impact Partnership and various other partnerships.</p>	<p>RMBC's officers have arrangements in place which assessed the accounting relationships with the various companies and other bodies. For 2007/08 officers identified that group accounts were required in respect of the ALMO.</p>

Appendix 2 – Areas of audit risk

Issue or risk	Finding
Audit risks to the financial statements from 2007/08 audit and inspection plan	
Partnership working arrangements require audit assessment as to their impact on the financial statements including Housing Market Renewal Fund, Pooled Budget for Learning Disabilities, Supporting People, the Rochdale Development Agency, and the Impact Partnership.	The impact on the financial statements of the accounting relationships with significant partners were considered and addressed by officers. However, the audit has identified that the accounting treatment of the Learning Disabilities Partnership Pooled Fund, needed amending. This issue is explained in more detail later in this report.
Some major developments are planned or underway, including new schools built under the Private Finance Initiative (PFI), participation in Building Schools for the Future programme, street lighting PFI in partnership with a neighbouring Council, a town centre redevelopment, and a major office development. The accounting arrangements for these require audit assessment.	Our audit has not identified any significant issues in respect of accounting arrangements.
The Impact Partnership delivered financial and other services to Rochdale and the effect of these on financial systems had to be assessed.	Our audit programme of systems review has considered these arrangements and there are no significant opinion issues to report.
The Council planned to implement a new general ledger system in 2007/08 and some related feeder systems giving increased risks to the opinion and which required audit assessment.	The new general ledger system and related systems were implemented on 1 April 2008. As a result audit tests covered the previously existing systems.
Additional audit risks to financial statements reported in 2008/09 audit and inspection plan as also pertaining to 2007/08	
No new additional risks impacting on 2007/08 were noted in the 2008/09 audit plan. The risks previously identified for 2007/08 have been updated in this table to reflect any related developments.	

Appendix 3 – Draft letter of representation

To: Mark Heap
District Auditor
Audit Commission,
2nd Floor, Aspinall House, Aspinall Close,
Middlebrook,
Horwich,
Bolton BL6 6QQ

Rochdale Metropolitan Borough Council Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Members and Executive Directors and officers of Rochdale Metropolitan Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008. All representations cover the Council's accounts and Group Accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements, in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2007 which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

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 Council meetings, have been made available to you.

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For all appropriate assumptions, (*e.g. fixed asset, FRS 17 valuations, investment and financial instrument valuations*), I confirm:

- the appropriateness of the measurement method; and
- the completeness and appropriateness under the financial reporting framework.

Group entities

All information pertaining to the financial position of the Arm Length Management Organisation, Rochdale Boroughwide Housing, has been disclosed that is required to be in Rochdale MBC's financial statements and its group accounts.

Appendix 3 – Draft letter of representation

There are no other group accounts required to be included in the financial statements other than those identified.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note X to the financial statements we have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Audit Committee, no additional significant post balance sheet events that have occurred, which would require additional adjustment or disclosure in the financial statements. The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Rochdale Metropolitan Borough Council

I confirm that the this letter has been discussed and agreed by the Audit Committee on 29 September 2008

Signed, name, position, date

Appendix 4 – Amendments

The Table lists the amendments made by management to the financial statements (other than those that are clearly trivial) following the audit.

Table 5 Non-trivial amendments to the financial statements

To update as information on proposed amendments become final.

Description of amendment	Impact
<p>Learning disabilities</p> <p>The Learning Disabilities Pooled Fund account should have been treated as a joint arrangement which is not an entity (JANE) and RMBC's share of the balances should have been included in the Council's balance sheet. Instead, £0.7m of bank balances had been excluded from the Council's financial statements.</p> <p>The supporting disclosure note was also misstated. These matters have now been amended.</p>	<p>Balance sheet:</p> <p><i>Increase creditors £0.6m</i></p> <p><i>Increase bank and cash £0.5m</i></p> <p><i>Increase debtors £0.1m</i></p> <p><i>Disclosure note amended</i></p>
<p>Financial instruments</p> <p>The SORP introduced new requirements as to the accounting disclosures required for financial instruments. While the SORP is silent on the accounting for interest receivable on investments, it is implicit that it should be included as part of the investment balance (in the same way that the SORP requires interest payable to be included in the loans balance). The Council had shown £0.8m of interest receivable as a debtor, which was in line with previous practice. The statements have now been amended to satisfy the new approach. Related amendments have been made to the Balance Sheet, Cash Flow Statement and disclosure notes to the financial statements for debtors, short and long term investments and financial instruments.</p>	<p>Balance sheet:</p> <p><i>Increase investment £0.8m</i></p> <p><i>Reduce debtors £0.8m</i></p> <p>Other</p> <p><i>Related amendments to the cash flow statements and various disclosure notes have been made.</i></p>

Appendix 4 – Amendments

Description of amendment	Impact
The auditors of the Greater Manchester Pension Fund have notified that the estimated assets for FRS17 in the GMPF was 1.1 % understated by the actuary. The estimate impact is £5.6 million.	<i>A disclosure note is added to this effect.</i>
Opening balances on HRA note re pooling of capital receipts were misstated by £1.2m. The main statements were appropriately stated.	<i>The related notes are being amended</i>
Numbers of houses in the disclosure note was wrongly stated.	<i>The note is being amended</i>

Appendix 5 – Draft of independent auditor’s report

Independent auditor’s report to the Members of Rochdale Metropolitan Council

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Rochdale Metropolitan Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group 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 Rochdale Metropolitan Borough 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 Executive Director Resources and auditor

The Executive Director Resources’ 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.

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

I report to you my opinion as to whether the Authority and Group 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; and
- the financial position of the Group and its income and expenditure for the year.

Appendix 5 – Draft of independent auditor’s report

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

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

Basis of audit opinion

I conducted my 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 Authority and Group 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 Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- The Authority 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; and
- The Group 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.

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

I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Qualified Conclusion

I have undertaken my 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, I am satisfied that, in all significant respects, Rochdale Metropolitan Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008, except that it did not put in place arrangements for the management of its asset base.

Appendix 5 – Draft of independent auditor’s report

Best value performance plan

I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2007/08 on 13 December 2007. I 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

I certify that I 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.

Mark Heap, District Auditor
2008

xx September

Audit Commission, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, Bolton BL6 6QQ

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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