

DRAFT

**This is the Audit Commission report from one year ago on the Council's accounts. It is sent as preparatory reading and to allow the Committee to compare progress when the report for this year is received.**

© Audit Commission 2005

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Telephone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# **Report on the 2004/05 financial statements to the Resources Committee**

**Uttlesford District Council**

**Audit 2004/2005**

DRAFT

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our remit covers more than 12,000 bodies in England, which between them spend £100 billion of public money each year. Our work covers local government, housing, health, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.

| <b>Document Control</b> |                  |
|-------------------------|------------------|
| Author                  | Paul King        |
| Filename                | UDC SAS 610 supp |

### **Status of our reports to the Council**

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and 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.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 0560566.

© Audit Commission 2005

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Telephone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

## Contents

|  |          |
|--|----------|
| <b>Introduction</b>  | <b>6</b> |
| Status of the audit  | 6        |
| Matters to be reported to those charged with governance                        | 7        |
| <b>Appendix 1 –Independent Auditor’s Report to Uttlesford District Council</b> | <b>8</b> |

DRAFT

## Introduction

- 1 Professional auditing standards require auditors to report certain matters arising from the audit of the financial statements to 'those charged with governance':
  - expected modifications to the audit report;
  - unadjusted non-trifling misstatements;
  - material weaknesses in accounting and internal control systems;
  - qualitative aspects of accounting practice and financial reporting;
  - matters required by other auditing standards to be reported to those charged with governance; and
  - other matters that we wish to draw to your attention.
- 2 We have agreed with the Council that the communications required under these auditing standards would be with the Resources Committee. This report sets out for the Resources Committee's consideration the matters arising from the audit of the financial statements for 2004/05.

## Status of the audit

- 3 Our work on the financial statements is now complete and we anticipate issuing an unqualified opinion by 31 October 2005 (a draft report is attached at Appendix 1).

## Matters to be reported to those charged with governance

- 4 We have the following matters to draw to the Resource Committee's attention.

### Adjusted misstatements

- We are required to consider reporting adjusted misstatements to you where these are material and are relevant to your governance responsibilities. We draw your attention to the following material misstatements that management has adjusted:
  - Intangible Assets: the draft accounts presented for audit did not meet the new requirements on intangible assets detailed in CIPFA's Statement of Recommended Practice 2004. The new requirements state that deferred charges can only be carried forward as an asset on the balance sheet if they meet the criteria of intangible assets. This is a change in accounting policy. The draft accounts included £7.4m deferred charges brought forward in this category relating to the written down value of the assets transferred to the leisure PFI scheme with a corresponding value for deferred liability. This has a neutral effect on the Consolidated Balance Sheet.
  - Cash Flow Statement: The Cash Flow Statement presented for audit contained material (greater than £0.9m) errors relating to figures which had not been changed from the prior year and other errors. The prior year errors were Council Tax income which was understated by £2.092m, Non-Domestic Rate Income was understated by £1.032m and receipts from the sale of fixed assets were overstated by £3.091m. The other material errors were Precepts to other authorities, other operating costs, Housing rent income and other operating cash income. The net effect of these errors amount to £0.97m but had no effect on any balance sheet item.

## **Appendix 1 –Independent Auditor’s Report to Uttlesford District Council**

I have audited the statement of accounts on pages A to F which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages X to Y.

This report is made solely to Uttlesford 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 Chief Financial Officer and Auditor**

As described on page x the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my/our profession’s ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on page x reflects compliance with CIPFA’s guidance ‘The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003’ published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA 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 whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council’s corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

## **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards 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 judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

## **Opinion**

In my opinion the statement of accounts presents fairly the financial position of Uttlesford District Council as at 31 March 2005 and its income and expenditure for the year then ended.

## **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.

Signature:.....

Date:.....

Name:.....

Address:.....