

BABERGH DISTRICT COUNCIL

**FROM: Head of Finance and Performance
Review**

REPORT NUMBER E168

TO: COUNCIL

DATE OF MEETING 18th October 2005

AUDITORS REPORT ON THE 2004/05 FINANCIAL STATEMENTS

Report on the 2004/05 Financial Statements to the Audit Committee

Babergh District Council

Audit 2004/2005

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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 Council. This report sets out for the Council'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 substantially complete, although there are still some outstanding queries to be resolved. Should any further matters arise in concluding the audit that require reporting, we will raise them with those charged with governance. Arrangements should be made for those charged with governance, in the case of further matters arising, to receive, acknowledge and if required provide resolution on those items reported in the final SAS 610.
- 4 In the light of the current position of the audit this report should be viewed as an interim report at this stage.
- 5 Subject to the satisfactory conclusion of the work outstanding, we anticipate being able to issue an unqualified opinion by 31 October 2005 (a draft report is attached at Appendix 1).

Matters to be reported to those charged with governance

- 6 We have the following matter to draw to your attention.

Other matters that we wish to draw to your attention

We wish to report the following matter to you:

Pension disclosures in the financial statements under FRS17

Significant assurance is placed on the administering authority (Suffolk County Council) and the actuary to provide the correct FRS17 figures in the Council's financial statements. However, Babergh District Council still has an overall responsibility to satisfy itself that the financial statements are prepared in accordance with the requirements of FRS17.

Our audit work found that there was uncertainty in the following areas.

- who was identifying and checking base data on which the calculation of the FRS17 liabilities are based; and
- how the actuarial assumptions are developed and approved.

These uncertainties need to be addressed by the Council to ensure that the financial statements are fully prepared in accordance with FRS17.

Next steps

- 7 We are drawing this matter to the Council's attention so that you can consider it before the financial statements are approved and certified.

Appendix 1 – Independent Auditor’s Report to Babergh 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 Babergh District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 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 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 (SIC) 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 Babergh 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:.....