

Our reference RBC 11/12

28 March 2012

Mr P Seddon
Head of Finance
Rossendale Borough Council
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Dear Phil

Audit of Rossendale Borough Council Financial Statements for the year ended 31 March 2012

I have a good understanding of your management processes and arrangements. This enables me to deliver an efficient audit, reducing the time your staff need to spend responding to auditor queries.

However, auditing standards require me to formally update my understanding annually. Therefore, I am writing to ask that you please provide a response to the following questions. Where your response to questions 2, 3 and/or 4 is 'yes', please provide details.

Fraud and Internal Control

1) What are the management processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its views on business practice and ethical behavior (for example by updating, communicating and monitoring against the Council code of conduct); and
- communicating to the Audit and Accounts Committee (i.e. those charged with governance) the processes for identifying and responding to fraud or error.

2) In addition to management processes and controls, I would like your views on fraud to inform my assessment of the risk of fraud and error in the financial statements.

- Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 to 31 March 2012?
- Do you have any concerns over whether internal controls, including segregation of duties, exist and work effectively?
- Are you aware of any related party relationships or transactions that could give rise to instances of fraud?
- Are you aware of any entries in the accounting records that you believe or suspect are false or intentionally mis-leading?

Laws and Regulations

3) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2011-12?

Litigation and Claims

4) Are there any actual or potential litigation or claims that would affect the financial statements?

Related Party Transactions and Relationships

5) What controls do you have in place to: identify; authorise; approve; account for; and disclose, related party transactions and relationships. For any new related parties (i.e. any not already disclosed in your year end 31 March 2011 audited financial statements) please provide a list of them, explain the nature of these, and whether you have entered into any transactions with these related parties during the year to 31 March 2012.

Going Concern

6) What management process is followed in determining whether the Council is a 'going concern' when compiling the financial statements?

Please provide a response by email either on behalf of management or by yourself in your capacity as the Head of Finance by 30 April 2012.

Please contact me or Tony Hough if you wish to discuss anything in relation to this request.

Yours sincerely

Karen Murray
District Auditor