



Accountants &
business advisers

Hastings Borough Council

**Report to those charged with
governance**

29 September 2008

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are 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.

1 Executive Summary

- 1.1 This report summarises the results of the work completed to date for the 2007/08 financial year and is presented to Members 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 your Statement of Accounts and our conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness in your use of resources (our VFM conclusion).

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 that impacted on our opinion.
Statement of Accounts	No material errors were identified as a result of audit work. Some information required to complete our audit remains outstanding at the time of drafting this report. Should these result in any significant issues, we will update Members accordingly. We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we are aware of from our audit of the Statement of Accounts. Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified opinion on the Statement of Accounts.
Use of Resources	
Use of resources judgements	We have completed the initial phase of our use of resources judgements to assist with the provision of the value for money (VFM) conclusion. At this stage, we are satisfied the Council continues to demonstrate it has at least adequate arrangements in place and our use of resources judgements do not suggest we should qualify our VFM conclusion.
Data Quality	Management arrangements in place for data quality are adequate for VFM conclusion purposes.
Best Value Performance Plan	We issued an unqualified opinion on the 2007/08 BVPP on 19 December 2007.
VFM Conclusion	Based on the work undertaken to date we expect to issue an unqualified VFM 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 2007/08 outlined the work we would be carrying out at Hastings Borough 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 audit work completed to date in respect of the Council's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 2.3 Our report is presented to Members in accordance with the provisions of ISA 260 which requires us to report certain matters to "those charged with governance", prior to issuing our opinion on the Statement of Accounts and conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness in your 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 In this report we do not provide a comprehensive statement of all weaknesses that may exist in the Council's accounting and control systems, but only those matters which have come to our attention as a result of the audit procedures performed. We have not restated recommendations already made by Internal Audit.

Status of our report to the Council

- 2.6 This report has been prepared for Members' and Officers' consideration 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

- 2.7 We confirm we are not aware of any relationships that may bear on our independence and objectivity as auditor and our independence declaration, included in the 2007/08 Annual Audit and Inspection Plan, has remained valid throughout the period of the audit.

3 Accounts

Requirements

- 3.1 The Council is required to publish an audited Statement of Accounts in accordance with proper practices as set out in CIPFA/LASAAC's Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (SORP). The Chief Financial Officer 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.

Systems, risks and materiality

- 3.3 In carrying out our 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 In carrying out this review, we consider the environment within which controls operate and evaluate specific controls that respond to significant risks. Following our evaluation, we assess whether we should place reliance on particular controls and where reliance is to be placed we conduct testing of the relevant controls.
- 3.5 Your key financial systems are:
- | | |
|---------------------------------|-------------------------------------|
| • Main Accounting System | • Council tax |
| • Cash and bank | • Housing and council tax benefits |
| • Income and debtors | • Payments and creditors |
| • Payroll and employment costs | • NNDR |
| • Information technology | • Housing rents income |
| • Concessionary bus expenditure | • Investments and investment income |
- 3.6 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

- 3.7 In accordance with the requirements of auditing standards, auditors are required to communicate relevant matters relating to the audit to “those charged with governance”.
- 3.8 In particular we are required to report:
- qualitative aspects of accounting practices and financial reporting
 - the final draft letter of representation to be agreed by management and those charged with governance
 - unadjusted 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.
- 3.9 Our comments in each of these areas are set out below:

Accounting practices and financial reporting

Application of accounting policies

- 3.10 The key changes introduced by the 2007 SORP (CIPFA's Statement of Recommended Practice) were:
- the introduction of a revaluation reserve, with a “Year 1” nil opening balance
 - the introduction of Financial Reporting Standards 25, 26 and 29 relating to the accounting treatment for financial instruments
- 3.11 While the Council correctly established the new revaluation reserve required by the SORP, the disclosures required by Financial Reporting Standards (FRS) 25, 26 and 29 (which involve the classification and identification of the risks involved in holding financial instruments such as borrowings and investments) were not fully made in the accounts approved by the Audit Committee on 30 June 2008. Officers subsequently prepared the information necessary to comply with these reporting standards and the revised statement of accounts contains the disclosures required by FRS 25, 26 and 29.

The accounts preparation process

- 3.12 We worked closely with officers to ensure we understood the Council's approach to producing the annual accounts in completing our audit of Hastings for the first time. We prepared a detailed schedule of documents and other working papers needed to complete our audit work and shared this with officers. The Council provided us with comprehensive working papers and draft accounts on 23 June 2008 in accordance with the timetable agreed with us. The process worked well and we completed our work in accordance with the timetable agreed with officers.

Testing of transactions and balances

- 3.13 As part of our audit, all material balances were subject to testing. Some minor issues were identified and are detailed below.

Reconciliation: income system and general ledger – difference (£71,943)

- 3.14 The reconciliation between the income system (known as AIM) and the general ledger contains a balance of £71,943.62 which has arisen due to the timing of income posted to the general ledger. When officers looked into this issue further, a software design fault was discovered which means income posted towards the end of the month can be posted incorrectly to the following month. In 2007/08, some payments made in March were incorrectly posted to April 2008. The difference at 31 March 2008 involves a large number of low-value transactions, such as council tax and non-domestic rate payments. Officers are working on one of the programs which generates ledger transactions from the income system to eliminate the error and have told us the position should be rectified in 2008/09. There is no effect on the overall financial position of the Council.

Cash and bank reconciliation – unreconciled balance (£4,889)

- 3.15 The Audit Committee has previously received reports from Officers about the difficulties in completing the cash and bank reconciliation. The sustained efforts of officers means only a small amount of £4,889.20 remains as an unidentified balance on the reconciliation as at 31 March 2008. Officers are looking to write this balance off in 2008/09 which will bring the reconciliation fully into balance by 31 March 2009. We understand the cash and bank reconciliation has been successfully completed throughout 2008/09.

Income and expenditure account – restructure of loans premium (£321,000)

- 3.16 The Council incorrectly classified the discount of £321,000 secured when it restructured its borrowing (loans) in the year. The interest and investment income balance (£1,574,000) and the interest payable and similar charges payable balance (£804,000) are both overstated. The Statement of Recommended Practice (the 'SORP') requires such discounts to be disclosed as a reduction in interest payable in the year. The accounts have been amended and there is no effect on the overall financial position of the Council.

Adequacy of disclosures

- 3.17 As highlighted at paragraph 3.11, the draft statement of accounts did not include all of the disclosures required by FRS 25, 26 and 29. The position was corrected by officers in preparing the final version of the accounts.

Letter of representation

- 3.18 The draft letter of representation is included at Appendix B. We do not anticipate any changes being required in completing our outstanding work before finalising our opinion on the Council's Statement of Accounts.

Unadjusted misstatements

- 3.19 We have not identified any non-trivial unadjusted misstatements.

Audit report

- 3.20 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 2008. There are some outstanding matters on the audit that could have an impact on our proposed audit report. These are:
- our review of the disclosure notes required to comply with FRS 25, 26 and 29
 - the pension fund auditor's letter of assurance
 - confirmation of any post balance sheet event by the Chief Financial Officer
 - completion of our internal quality assurance review.
- 3.21 We will provide a verbal update on these matters to the Audit Committee at its meeting on 29 September 2008.

Accounting and internal control systems

- 3.22 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.
- 3.23 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.
- 3.24 The primary responsibility for ensuring your internal control frameworks are robust enough to prevent and detect material fraud and corrupt practices lies with management and those charged with governance.
- 3.25 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, systems notes were prepared for each financial system and we have evaluated 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.
- 3.26 Where possible, we have placed reliance on Internal Audit's work and thereby avoided unnecessary duplication of audit effort. To ensure this approach was valid, we have undertaken the following:
- reviewed Internal Audit's working papers and reports
 - considered the robustness of the key financial systems on the evidence of this work
 - relied on Internal Audit's evaluation of controls and re-performed 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.
- 3.27 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 and those charged with governance
 - considered the extent to which the work of Internal Audit is designed to detect material misstatements in the accounts arising through fraud
 - made enquiries regarding instances of actual fraud you have identified

- written to the chair of the Audit Committee.

Conclusion

- 3.28 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.
- 3.29 We have not reported on any weaknesses previously identified by Internal Audit.

Matters required to be reported by other auditing standards

- 3.30 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

Annual Governance Statement

- 3.31 In June 2007 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published Delivering Good Governance in Local Government: Framework. This framework, and the accompanying guidance notes, replaces the previous CIPFA/SOLACE framework, Corporate Governance in Local Government – A Keystone for Community Governance: Framework, which was published in 2001.
- 3.32 The framework applies to all local government bodies and is directly relevant to a number of use of resources Key Lines of Enquiry (KLOE), in particular the three internal control KLOE.
- 3.33 Of particular importance is the introduction through the CIPFA/SOLACE framework, from 2007/08, of an integrated "annual governance statement". This subsumes the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment)(England) Regulations 2006) for the production of a statement on internal control (SIC).
- 3.34 The framework reflects the Audit Commission's definition of corporate governance as:
*"... about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.
It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities."*
- 3.35 The Council has a responsibility to publish a Governance Statement, including the outcome of a review of its effectiveness, with its 2007/08 Statement of Accounts.
- 3.36 We have reviewed the Annual Governance Statement and the supporting review of effectiveness that has been undertaken for the year ended 31 March 2008 and 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 VFM conclusion is based on considering the results of the Use of Resources Key Lines of Enquiry (KLoE) assessment and the results of the Data Quality management arrangements (Stage 1) assessment. 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 Annual Governance Statement.
- 4.3 The Use of Resources KLoE assessment work has been sufficiently completed to enable the delivery of the VFM conclusion and will be finalised in November 2008, as required by the Audit Commission's timetable for quality assurance. A detailed report of findings will be provided to officers later in the year.
- 4.4 The Data Quality management arrangements assessment has been sufficiently completed to enable the delivery of the VFM conclusion and will be finalised in October 2008, as required by the Audit Commission's timetable. A detailed report of findings will be provided to officers later in the year.
- 4.5 This work will contribute to forming our overall conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of resources, as audited bodies are required to reach expected minimum requirements in each of the Audit Commissions 12 VFM conclusion criteria reviewed, to achieve an unqualified opinion.

Proposed conclusion

- 4.6 Based on the work undertaken to date we expect to give an unqualified VFM conclusion.
- 4.7 A draft conclusion is included at Appendix C. We will provide a verbal update to the Audit Committee on 29 September 2008.

Statutory report on the 2007/08 Best Value Performance Plan

- 4.8 The audit of the Best Value Performance Plan 2007/08 ("BVPP") was completed in 2007 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 given on 19 December 2007 and no recommendations arose from our work.

5 Fee information

5.1 We are required to disclose an analysis of the planned and actual audit fees for the year and provide an explanation for any significant variations for each element of our work.

5.2 The proposed audit fees were set out in the Annual Audit and Inspection Plan 2007/08:

Audit plan 2007/08	Planned fees £	Actual fees £
Code of Audit Practice		
Accounts ¹	56,522	59,522
Use of Resources	33,100	33,100
Review of lost income ²	0	7,500
Total audit	89,622	100,122
Grants (estimate)	35,000	35,000
Total	124,622	135,122

¹ Additional fee of £3,000 agreed to complete audit of financial systems

² Additional work commissioned by officers

5.3 A number of the grant claim audits are currently in progress or do not require certification until 31 December 2008 and therefore the actual fee remains an estimate of the expected final position.

Appendix A: Recommendations arising from our audit

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<p>Reconciliation of income system and general ledger</p> <p>The reconciliation between the income system (known as AIM) and the general ledger contains a balance of £71,943.62 which has arisen due to the timing of income being posted to the general ledger. The balance consists of a significant number of small transactions and Officers are working with the software supplier to eliminate the programming error which means income can be posted to the wrong month.</p>	<p>Ensure the reconciliation between the income system (known as AIM) and the general ledger is fully completed, eliminating all timing differences by 31 March 2009.</p>	Med	<p>A system review has already been undertaken and amendments have been made to one of the programs. These amendments are now being tested.</p>	D. Froude	January 2009
<p>Cash and bank reconciliation</p> <p>A small amount of £4,889.20 remains as an unidentified balance on the cash and bank reconciliation as at 31 March 2008.</p>	<p>Officers should write-off the unidentified balance on the cash and bank reconciliation by 31 March 2009.</p>	Med	<p>The resources required to investigate this remaining difference are not considered justified as it is likely to relate to prior years. The write-off will result in the ledger equalling the actual cash position.</p>	D. Froude	31 March 2009

Appendix B: Draft letter of representation

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

29 September 2008

Dear Sirs

Statement of Accounts of Hastings Borough Council for the year ended 31 March 2008

1 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.

2 Responsibility for the Statement of Accounts

I acknowledge as the Chief Finance Officer and s151 Officer my responsibilities for the Statement of Accounts.

3 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.

4 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.

5 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 materially the Statement of Accounts, nor have any allegations of fraud or suspected fraud been communicated to me by employees, former employees, councillors, regulators or others which might affect materially the Statement of Accounts.

6 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.

7 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.

8 Contingent liabilities

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

9 Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- Rate of inflation 3.6 %
- Rate of increase in salaries 5.1 %
- Rate of increase in pensions 3.6 %
- Rate for discounting scheme liabilities 6.9 %

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

10 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 where revisions of the Accounts have not been made or notes not included. 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.

11. Fair Value of PWLB Loan

The Council has worked with its financial advisors to calculate the fair value of its PWLB loans. I am aware the value calculated by our advisors is different to the value notified to external auditors by the Audit Commission. The difference amounts to £584,345. In my view, our financial advisors have properly calculated the fair value of the Council's PWLB loans and the disclosures made in the Council's accounts are correct.

Yours faithfully

Neil Dart
Chief Financial Officer

Representations of the Council

1 Responsibility for the Statement of Accounts

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

2 Annual Governance Statement

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 Annual Governance Statement 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

Councillor P Chowney
Chair of the Audit Committee

Signed on behalf of the Council

Appendix C: Draft audit opinion

Independent auditor's report to the Members of Hastings Borough Council

Opinion on the financial statements

We have audited the accounting statements and related notes of Hastings Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the 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 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 Hastings 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 Responsible Financial Officer and auditor

The Chief Financial Officer's 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.

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 Authority 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

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the corporate governance procedures or its risk and control procedures

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting 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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by Hastings Borough Council in the preparation of the accounting statements and related notes, 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 accounting statements and related notes 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 accounting statements and related notes.

Opinion

In our opinion:

- The 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

Signature: _____ Date: _____

Name: PKF (UK) LLP
Farringdon Place, 20 Farringdon Road, London, EC1M 3AP

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

Hastings Borough Council's Responsibilities

Hastings Borough Council 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

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.

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, Hastings Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the best value performance plan for the financial year 2007/08 on 19 December 2007. 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.

Signature: _____ Date: _____

Name: PKF (UK) LLP
Farringdon Place, 20 Farringdon Road, London, EC1M 3AP

Appendix D: Reports issued in respect of 2007/08

Annual Audit and Inspection Plan	August 2007
Opinion on 2007/08 BVPP	December 2007
Data Quality report	March 2008
Review of Lost Income	July 2008
Final report to those charged with governance	September 2008