



Accountants &
business advisers

Councillor G Cohen
Chair of the Audit Committee
Braintree District Council
Causeway House
Bocking End
Braintree
Essex
CM7 9HB

Our ref: 1026685/2009-10/DE/AL

16 July 2010

Dear Councillor Cohen

Update to financial statements risks

Auditing standards require that we bring to your attention areas that require additional or special audit procedures in response to areas of "significant risk", such as a weakness in controls or areas requiring a higher degree of estimation by management.

We reported to you our updated risk assessment in the Annual Audit Plan 2009/10 issued in December 2009. We have since undertaken a more detailed assessment of risk following the completion of our interim review of financial controls, review of the finalised SORP 2009 and review of the Council's draft financial statements. This most recently updated risk assessment has not identified any additional significant financial risks.

We have continued to review the risks reported to you in our updated risk assessment included within the Annual Audit Plan. The risks reported in the plan remain as reported, with the following two exceptions that we no longer consider to be significant risks:

Risk reported in the Audit Plan	Reason for removal
<p>Car Parking Partnership: In 2009/10 the Council joined into a partnership with Colchester BC and Uttlesford DC for the management of car parking, for which the lead authority is Colchester BC. As the Council will no longer have direct control over the operations, a letter of assurance will be required from the external auditors of Colchester BC to ensure that the controls in place are appropriate as this is effectively a shared service arrangement.</p> <p>There is a risk, therefore, that controls over car parking income may be ineffective which is a material income stream for the Council.</p>	<p>The value of the car parking income included within the draft financial statements is not material. As a result we do not need to obtain a letter of assurance from the external auditors of Colchester BC. We will, however, carry out substantive testing on this balance to provide us with assurance over completeness of income.</p>

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Risk reported in the Audit Plan	Reason for removal
<p>Pension Fund Discount Rate: The Council need to ensure that an appropriate discount factor has been used by Essex County Council when calculating the pension fund balances. The assumptions used should be checked to ensure that membership profiles compare to expectations from the Council as rates may have changed significantly which could influence the year end value of the fund.</p> <p>There is a risk, therefore, that the values included within the pension fund at the year end could be materially misstated if the assumptions made are not appropriate to support the value of the fund.</p>	<p>The primary driver for the variation in discount factor is the actuary's derivation methodology. This is to be assessed on behalf of the Audit Commission by PwC. Given appropriate evidence in the previous year over the actuary's assumptions linked to discount factor staff profiles, and the stability of pension fund information, we no longer consider necessary work to qualify as being in support of a "significant" risk.</p>

The changes in the significant risks outlined above do not have a net impact on the audit fee, which therefore remains at £131,800, plus VAT, as notified to you in both the Audit Fee Letter issued in April 2009 and the Annual Audit Plan issued in December 2009.

If you or your colleagues on the Audit Committee have any questions about the content of this letter, please don't hesitate to contact me or Alison Langridge on 01473 320752 / alison.langridge@uk.pkf.com

Kind regards

Yours sincerely



David Eagles
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cc: Chief Executive
Corporate Director
Head of Finance