

Notice of Meeting



Governance and Audit Committee

Thursday, 28 September 2006 at 5.30pm

in Committee Room 2, Council Offices,
Market Street, Newbury

Date of despatch of Agenda: Wednesday, 20 September 2006

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Vicky Wheatley, Policy & Research Officer on (01635) 519241
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Governance and Audit Committee to be held on 28 September 2006 *(continued)*

To: Councillors Barbara Alexander (*Chairman*), John Chapman, Sue Farrant, Denise Gaines, Alexander Payton (*Vice Chairman*), Andrew Rowles and Emma Webster

Agenda

Part I

	Page No.
1. Apologies To receive apologies for inability to attend the meeting (if any).	
2. Minutes To approve as a correct record the Minutes of the meeting of this Committee held on 29 June 2006.	1 – 5
3. Declarations of Interest <i>To receive any Declarations of Interest from Members.</i>	Verbal
4. Annual Governance Report – Audit 2005/2006 <i>Purpose: To receive the Audit Commission's Annual Governance Report for the audit of the Council for the year ended 31 March 2006.</i>	6 - 30

Sue Curtis Davison
Head of Policy and Communication

GOVERNANCE & AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 29 JUNE 2006

Councillors: Barbara Alexander (*Chairman*) (AP), John Chapman (P), Sue Farrant (AP), Denise Gaines (P), Alexander Payton (*Vice Chairman*) (P), Andrew Rowles (P) and Emma Webster (P)

Substitute(s):

Also present: Councillor Jeff Brooks, Councillor Laszlo Zverko, David Holling (Head of Legal and Electoral), Ian Priestley Head of Assurance), Simon Freeman Head of Accountancy), Martin Cawte (Head of Resources and Commissioning), Charles Morris (Risk Manager), Julie Gillhespey (Group Auditor), Shannon Coleman (Group Auditor) and Vicky Wheatley (Policy Officer).

(Councillor Payton in the Chair).

PART I

4. APOLOGIES.

Apologies for the inability to attend the meeting were received on behalf of Barbara Alexander and Sue Farrant.

5. MINUTES.

The Minutes of the meeting held on 10 April 2006 were approved as a true and correct record and signed by the Chairman.

The Minutes of the meeting held on 2 May 2006 were approved as a true and correct record and signed by the Chairman.

6. DECLARATIONS OF INTEREST.

There were no interests declared.

7. STATEMENT OF FINAL ACCOUNTS 2005-2006.

The Committee considered a report (Agenda Item 4) concerning the Statement of Final Accounts.

The Chairman reminded the Committee that approval of the Statement of Accounts had been delegated at a meeting of full Council to the Governance & Audit Committee. The agenda for the meeting had been sent to all Members.

Simon Freeman, Service Head – Accountancy, introduced the report and explained that the Committee were being asked to agree that the statements were prepared and presented in compliance with the legislation and professional guidance and that they reflected a true position regarding the Council's financial affairs as at 31st March 2006. The Committee was not being asked to approve the way in which the Council had allocated and spent its Capital and Revenue Budgets. Simon reported:

- The contribution to the Balances (p5) was £266k (not £280k),
- The Auditors report (p10) would be complete by September 2006, once the Audit Commission had completed their work.
- The Consolidated Revenue Account (p24) followed a nationally set format but did incorporate all of the Council's services (although under different names),
- The total Revenue expenditure for 2005/06 was £290,792,000,

GOVERNANCE & AUDIT COMMITTEE – 29 JUNE 2006 – MINUTES

- The Outturn reported to Executive in June was just under £1million under spent. Since then some Services had permission to carry over budgets for approved projects, provision had been made for bad debt (£250k) and insurance (£350k) and there had been changes to the cash limit. The remaining under spend of £276k (p49) would be split between the 3 services that had produced savings. £134k would go to Environment, £116k to the Chief Executive's Directorate and £30k to Community Services.

Members asked a number of questions and in response Simon Freeman explained:

- The Council was increasingly looking for in-house insurance opportunities. £350k would be set aside for self-insurance. Councillor Brooks suggested the Resource Management Task Group investigate the use of self-insurance,
- Councillor Brooks questioned the increase in the Recruitment costs given the recent changes to the recruitment process. He suggested that this might be a subject for the Resource Management Task Group to investigate,
- The Agresso financial system would provide better reporting on bad debt. The analysis available indicated that a general bad debt provision of £680,000 was required at 31st March 2006,
- The Outturn Report was approved by the Executive in June 2006 and this had detailed the increase in the bad debt and insurance provisions,
- In the next 12 months the Council would investigate and try to resolve large debts,
- £375k was granted to voluntary organisations in 2005/06.
 - £191k to Citizens Advice Bureau,
 - £176k to Community Council for Berkshire,
 - £38k to the Newbury Volunteer Bureau,
 - £10k to the Community Furniture Project,
 - £6k to Relate,
 - £10k to other voluntary organisations,
- The Council's land and buildings were valued at their current market value,
- The March meeting of full Council approved the Capital Strategy and calculations for the Capital Programme, which provided the prudential indicators and borrowing that the Council can support,
- Recruitment advertising costs had increased. £350k was spent by the Council and £165k by West Berkshire Schools. It was suggested the cost of recruitment advertising also be examined by the Resource Management Task Group,
- The Council's assets were subject to a five-year rolling re-evaluation programme. The value for assets had reduced by £24 million as a result of the 05/06 valuation programme, which had been offset by additions and depreciation. The net reduction was therefore £6 million,
- £1.3 million disposals resulted from the sales of 'dyso' properties, land at Mill Lane in Lambourn, land at Edgecomb Lane and George House.

RESOLVED that

1. The Statement of Accounts for the 2005/06 financial year be approved,
2. Simon Freeman provides further information for the Members on the Capital Strategy and the valuation of the Council's assets.

8. STATEMENT OF INTERNAL CONTROL 2005-2006 – ASSURANCE ANNUAL REPORT.

Ian Priestley introduced this item and explained that:

- The Council was operating a new approach to the sign off of the Statement of Internal Control (SIC - Item 9). Items 5 – 8 were all designed to support the Committee in its review of the SIC,
- The purpose of the SIC was to provide assurance to the stakeholders of the Council that it had operated within the law and proper standards and that public money was safeguarded. Also the SIC demonstrated that the Council had carried out an annual review of the system of internal control within the Council,
- The evidence that demonstrates the review of the system of internal control was contained in items 5 – 8.

The Committee considered the Assurance Annual Report (Agenda Item 5) concerning the internal control framework. Ian Priestley explained that this report set out the opinion of the "Head of Internal Audit" on the system of internal control, and explained the basis of that opinion.

Members asked a number of questions and in response it was reported that:

- 10 – 12 West Berkshire Schools were audited per year. For the 2005/06 year most of the reports were yet to be finalised, and hence did not appear in the schedule (Appendix A) of the report,
- No opinion was given advisory audits, eg IT helpdesk. These were carried out where services were in the process of change and had asked for help from Audit. Recommendations were made, however, and were followed up. Failure to implement agreed recommendations would be reported to the Committee,
- Audit was required to perform the National Fraud Initiative work for the Audit Commission, but was not required to give an opinion. Consideration would be given to providing an opinion in future,
- West Berkshire did not have a record of internal or external fraud and was considered to be at low risk.

RESOLVED that the Committee note the report.

9. STATEMENT OF INTERNAL CONTROL 2005-2006 – REVIEW OF STANDARDS & PROCEDURES.

The Committee considered the Review of Standards and Procedures of Internal Control (Agenda Item 6) by the Monitoring and Section 151 Officers.

David Holling explained:

- That this was the first time such a report had been prepared. It was designed to provide assurance to the Committee from the perspective of the Monitoring and S151 Officers on the system of internal control.

Members asked a number of questions and in response it was noted that:

- Consideration might well be given to any reports from the Ombudsman when compiling this report in future.

RESOLVED that the Committee note the report.

10. STATEMENT OF INTERNAL CONTROL 2005-2006 – HEADS OF SERVICE ASSURANCE STATEMENTS.

The Committee considered a report (Agenda Item 7) concerning Heads of Service Assurance Statements.

Ian Priestley explained that:

- The report contained a summary of the issues of concern highlighted by Heads of Service in their annual assurance statements and service risk registers. This work summarised a quarterly review by Heads of Service of their risk registers and forms a key part of the Council's system of internal control,
- The assurance statements had all been agreed and signed off by the relevant Director and Portfolio Holder,
- Action plans were in place in all services to mitigate "Red" risks.

Members noted that many of the different services had identified a similar risk related to problems with staff recruitment and retention. Charles Morris explained that he would be tabling the risks noted in this report at the next quarterly review of the Strategic Risk Register with Corporate Board.

RESOLVED that the Committee note the report.

11. STATEMENT OF INTERNAL CONTROL 2005-2006 – STRATEGIC RISK REGISTER.

The Committee considered the Strategic Risk Register (Agenda Item 8) which identified the strategic risks and associated action plans.

Charles Morris explained that:

- The Strategic Risk Register was something that was reviewed on a quarterly basis by Corporate Board and Management Board and that it was constantly being updated,
- The register includes a summary of major projects and that each major project had its own separate risk register which was updated quarterly.

Members asked a number of questions and also commended the comprehensive nature of the approach being taken to manage risk.

RESOLVED that

1. The Committee note the report,
2. The risks at 1.2 be separated,
3. Water shortages and industrial action be added to the Risk Register,
4. Corporate Board be asked to consider adding the cost of the pension fund to the Risk Register,
5. The wording in 4.1 be amended to 'A major failure of technology',
6. 4.2 be removed as the last ever IEG statement had been submitted,
7. The Committee receive an update on the progress with the action plans, designed to mitigate the red risks identified on the final page of the report, as a regular item at each future meeting of the Committee,
8. The Risk Matrix be included with the Risk Register in future.

12. STATEMENT OF INTERNAL CONTROL 2005-2006.

The Committee considered a report (Agenda Item 9) concerning the Review of the Statement of Internal Control 2005-2006.

GOVERNANCE & AUDIT COMMITTEE – 29 JUNE 2006 – MINUTES

RESOLVED that

1. The Committee reviewed and approved the process for producing, and evidence relating to, the Statement of Internal Control,
2. Ian Priestley provides further information on the classification of major projects to the next meeting.

(The meeting commenced at 6.30pm and closed at 8.45pm)

CHAIRMAN

Date of Signature:

Annual Governance Report

September 2006



Annual governance report

West Berkshire Council

Audit 2005/06

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Authority

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

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Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Governance and Audit Committee is considered to fulfil the role of those charged with governance and references to the Governance and Audit Committee should be read as such.
- 2 We are also required by professional auditing standards to report to those charged with governance, the Governance and Audit Committee, certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Council for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principle purposes of the report are:
 - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Council;
 - to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
 - to provide the Council with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
 - the Council's financial statements; and
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the annual letter later in the year.

- 8 We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

Key messages

Financial statements

- 9 Our work on the financial statements is now substantially complete and we are resolving a number of outstanding issues. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Chair of the Governance and Audit Committee and the Head of Finance.
- 10 Subject to the satisfactory conclusion of the work outstanding, we expect to be able to issue an unqualified opinion by 30 September 2006 (a draft audit report is attached at Appendix 5).

Use of resources

- 11 Our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue an unqualified conclusion on the use of resources by 30 September 2006 (a draft report is attached at Appendix 5).

Financial statements

- 12 We are required to give an opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2006 and its income and expenditure for the year then ended.

Status of the audit

- 13 Our work on the financial statements is now substantially complete.

Matters to be reported to the Governance and Audit Committee

- 14 Auditing standards require us to communicate the following to you:
- expected modifications to the auditor's report;
 - uncorrected misstatements (excluding those that are 'clearly trivial');
 - adjusted material misstatements;
 - qualitative aspects of accounting practices and financial reporting
 - material weaknesses in internal control identified during the audit;
 - where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non compliance with legislative or regulatory requirements and related authorities.
- 15 The only matter we wish to report to you in respect of the above areas, relates to the following adjusted material mis-statement:
- The Council have made an adjustment that reduces the Fixed Asset Restatement Reserve by £25.5m and increases the Capital Finance Account by £25.5m. This was to ensure full compliance with the SORP and there is no overall effect on the financial statements
- 16 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

Any other matters of governance interest

- 17 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 1 below.

Table 1 Other matters of governance interest

Area	Auditor responsibility	Findings
Statement of internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	We have reviewed a copy of the SIC and consider it to be compliant with the requirements specified by CIPFA. The statement is consistent with the financial statements and our knowledge of the organisation arising from the audit process.
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Council's consolidation pack with the statutory financial statements.	We have yet to review your Whole of Government Accounts' consolidation pack.

Letter of representation

- 18 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6.

Next steps

- 19 We are drawing these matters to the Governance and Audit Committee's attention so that:
- it can consider them before the financial statements are approved and certified;
 - the representation letter can be signed on behalf of the Council and those charged with governance before we issue our opinion on the financial statements.

Use of resources

Value for money conclusion

- 20 The Code requires us to issue a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements.
- 21 We have completed our work in relation to the use of resources and we will be issuing an unqualified opinion in respect of your value for money arrangements.
- 22 Table 2 summarises our assessment of the Council's arrangements against the twelve key criteria.

Table 2 Value for money conclusion

Issue	Met / Not Met
1. The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Met
2. The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Met
3. The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Met
4. The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Met
5. The body has put in place arrangements to maintain a sound system of internal control.	Met
6. The body has put in place arrangements to manage its significant business risks.	Met
7. The body has put in place arrangements to manage and improve value for money.	Met

Issue	Met / Not Met
8. The body has put in place a medium-term financial strategy, budgets and a capital programme that is soundly based and designed to deliver its strategic priorities.	Met
9. The body has put in place arrangements to ensure that its spending matches its available resources.	Met
10. The body has put in place arrangements for managing performance against budgets.	Met
11. The body has put in place arrangements for the management of its asset base.	Met
12. The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Met

Data quality

- 23 Our detailed testing of performance indicators is still in progress. We will up-date members on progress at the meeting on the 28 September 2006..

Use of resources assessment

- 24 Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money. The results and key issues of the 2005 assessment were reported in our annual audit and inspection letter in January 2006. We are in the process of completing our 2006 assessment the results of which will be reported later in the year.

Use of auditors' statutory powers

- 25 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 5 below.

Table 3 Use of statutory powers

Insert text

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/06.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no s11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2004/06 Best Value Performance Plan (BVPP) was reported in the 2004/05 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

Closing remarks

- 26 This report has been discussed and agreed with the Chief Executive and Head of Corporate Finance. It will be presented to the Council's Governance and Audit Committee on 28 September 2006.
- 27 The Council has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Mick West
District Auditor
September 2006

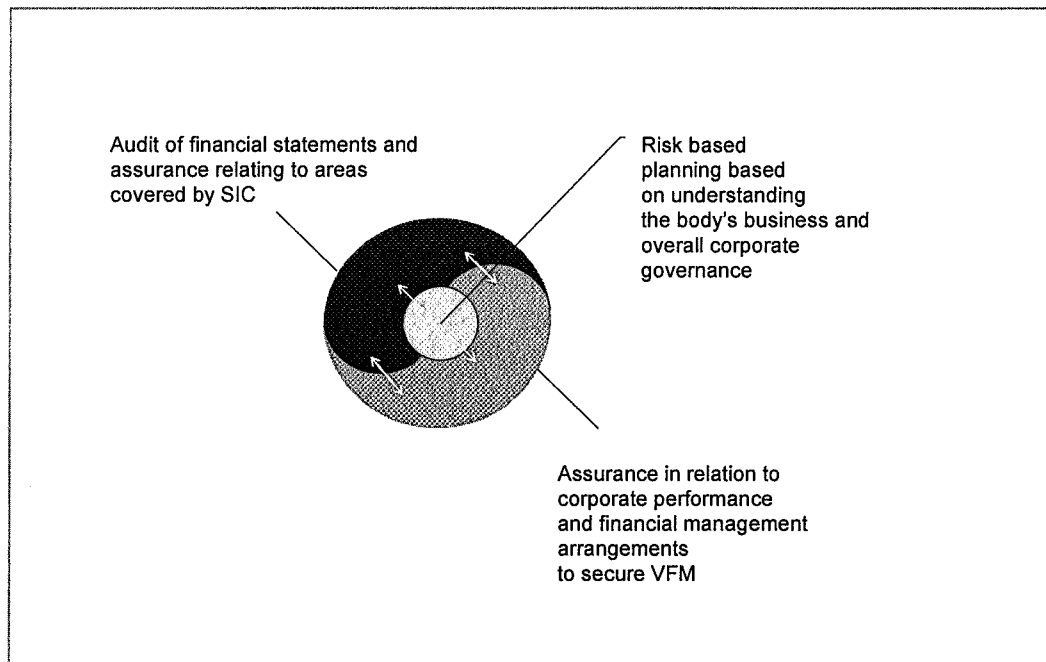
Appendix 1 – Audit responsibilities and approach

Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Approach to the audit of the financial statements

- 2 In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
 - the standard of the overall control environment and internal controls;
 - reliance on Internal Audit;
 - the likelihood of material misstatement occurring from material information systems; or a material error failing to be detected by internal controls;
 - any changes in financial reporting requirements; and
 - the effectiveness of procedures for producing the financial statements and supporting material.
- 3 The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements.

Approach to audit of arrangements to secure value for money

- 4 The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
 - corporate performance management; and
 - financial management arrangements.
- 5 Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 6 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, we considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 7 The potential sources of assurance when reaching the value for money conclusion include:
 - the Authority's whole system of internal control as reported in its statement on internal control (SIC);
 - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc.;
 - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
 - links to the financial statements' audit, including review of Internal Audit, the SIC and budgetary control arrangements; and
 - other work necessary to discharge our responsibilities.

Appendix 2 – Audit reports issued

Table 4

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit and inspection plan	March 2005	March 2005	Governance and Audit Committee
Interim audit memorandum	July 2006	August 2006	Head of Finance
Annual governance report	September 2006	September 2006	Governance and Audit Committee
Opinion on financial statements	September 2006		Governance and Audit Committee
Value for money conclusion	September 2006		Governance and Audit Committee
Final accounts memorandum	October 2006		Head of Finance
Use of resources assessments	December 2006		Chief Executive
BVPP report	December 2005	December 2005	Chief Executive
Annual Audit and Inspection Letter	March 2007		Chief Executive Council

Appendix 3 – Fee information

Table 5

Fee estimate	Plan 2005/06	Actual 2005/06
Accounts	£144,100	£144,100
Use of resources	£ 80,200	£ 80,200
Inspection	£ 22,900	£ 22,900
Total audit fees**	£247,200	£247,200
Less ODPM Grant	£ 5,700	£ 5,700
Net Fees**	£241,500	£241,500

** The outturn on inspection and grant certification fees will be reported in the annual audit and inspection letter

Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required by the ISA (UK and Ireland) 260 and Auditing Practice Board Ethical Standard 1 to communicate the following matters to the Council:
 - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

Appendix 5 – Independent auditor's report to West Berkshire Council

Opinion on the financial statements

- 3 I have audited the financial statements of West Berkshire Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.
- 4 This report is made solely to West Berkshire 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 Finance Officer and auditors

- 5 The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.
- 6 My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 7 I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.
- 8 I review whether the statement on internal control 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, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

- 9 I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

- 10 I conducted my 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.
- 11 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

- 12 In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Mick West
District Auditor
Audit Commission
Unit 5, Isis Business Centre
Horspath Road
Cowley
Oxford OX4 2RD

20th September 2006

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

Authority’s responsibilities

- 13 The Authority 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 to regularly review the adequacy and effectiveness of these arrangements.
- 14 Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor’s responsibilities

- 15 I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
- 16 I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority’s best value performance plan and issue a report:
 - certifying that I have done so;
 - stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
 - where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

- 17 I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, West Berkshire Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best value performance plan

- 18 I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 31 December 2005. I 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

- 19 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.

Mick West
District Auditor
Audit Commission
Unit 5, Isis Business Centre
Horspath Road
Cowley
Oxford OX4 2RD

20th September 2006

Appendix 6 – Letter of representation

Dear Mr West

Letter of Representation

We are writing in connection with your examination of the financial statements of the West Berkshire Council for the period ended 31 March 2006 for the purpose of expressing an opinion as to whether the financial statements present fairly the state of affairs of the Council, the financial position at the year-end and the income and expenditure for the year.

We confirm that the following representations are made on the basis of enquiries of Members, Directors and Officers with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

We have made available to you:

- accounting and financial records and related data; and
- minutes of Council, Cabinet and other committee meetings.

All the transactions undertaken by the Council have been properly reflected and recorded in the accounting records, in accordance with the 2005 Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) developed by CIPFA/LASAAC Joint Committee (SORP 2005), all applicable SSAPs/FRSs and other relevant guidance.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- significant contingent liabilities or post balance sheet events except as disclosed in the financial statements; and
- deficiencies in financial reporting practices which could have material effect on the financial statements.

We have no plans or intentions that may materially affect the valuation or classification of assets and liabilities.

Having regard to the terms and conditions of sale imposed by major suppliers, creditors include no amounts resulting from the purchase of goods on terms which include reservation of title by suppliers.

There are no other violations or possible violations of law or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording loss contingency.

The financial statements and/or notes to the accounts include any material liabilities or contingencies that are required to be accrued or disclosed by FRS12 'Accounting for Provisions, Contingent Liabilities and Contingent Assets'.

The assets of the Council have not been used in any way as security for loans.

All obligations under finance leases or hire purchase contracts have been disclosed in the accounts.

No financial guarantees have been given to third parties.

We have complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the financial statements.

No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

Registers of interest are complete and up-to-date in respect of Members and officers

Guidance has been issued by the Council to make directors and officers aware of the requirement to declare all interests relevant to the Council, including interests of families, partners and entities controlled by them.

There are no other relationships of which we are aware that require disclosure in the financial statements.

The implications of the Council's predicted levels of income, expenditure and funding have been assessed and are reflected appropriately in the financial statements.

With regard to the financial standing of the Council we confirm that the notes to the accounts fully disclose the financial position of the Council

We have undertaken sufficient work to satisfy ourselves that we can, sign the requisite disclosures in respect of the Statement of Internal Control

As minuted by the Governance and Audit Committee Council at its meeting on 28 September 2006.

Yours sincerely

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Chairman

.....

Chief Executive

.....

Head of Corporate Finance

