

# Notice of Meeting

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## **Governance and Audit Committee – Supplementary Agenda**

**Monday, 27th September, 2010 at 5.00pm**  
in Committee Room 1 Council Offices  
Market Street Newbury

Date of despatch of Agenda: Friday, 17 September 2010

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Moira Fraser on (01635) 519045  
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Further information and Minutes are also available on the Council's website at  
[www.westberks.gov.uk](http://www.westberks.gov.uk)



**Agenda - Governance and Audit Committee to be held on Monday, 27 September 2010**  
(continued)

**To:** Councillors Jeff Beck (Chairman), Paul Bryant, David Holtby, Tony Linden, Julian Swift-Hook, Tony Vickers and Quentin Webb

**Substitutes:** Councillors Brian Bedwell, Adrian Edwards and Keith Woodhams

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# Agenda

## Part I

**Page No.**

4. **KPMG Governance Report: Financial Statements 2009-10 – Appendix A** 1 - 34
- Purpose: To inform those charged with governance (The Governance and Audit Committee) of the findings from KPMG's external audit of the financial statements.*

Andy Day  
Head of Policy and Communication

West Berkshire Council is committed to equality of opportunity. We will treat everyone with respect, regardless of race, disability, gender, age, religion or sexual orientation.

If you require this information in a different format, such as audio tape, or in another language, please ask an English speaker to contact Moira Fraser on telephone (01635) 519045, who will be able to help.



**West Berkshire**  
C O U N C I L



GOVERNMENT

# Report to those charged with governance (ISA 260) 2009/10

West Berkshire Council  
24 September 2010

AUDIT

AUDIT ■ TAX ■ ADVISORY

# Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Greg McIntosh, who is the engagement partner to the Authority (telephone 020 7311 6430, email Greg.McIntosh@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (0161 236 4000, email trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

## Executive summary

### Scope of this report

This report summarises:

- the key issues identified during our audit of West Berkshire Council’s financial statements for the year ended 31 March 2010; and
- our assessment of the Authority’s arrangements to secure value for money in its use of resources.

### Financial Statements

The table below summarises the key findings from our work in relation to the financial statements audit. Section two of this document provides further details.

<p><b>Audit differences</b></p>	<p>Our audit identified a number of non-significant presentational adjustments, as well as one adjustment to reflect the value of 4 assets which had been revalued, on the balance sheet. None of these adjustments had a material impact on the Accounts. All adjustments were processed by management.</p>
<p><b>Completion</b></p>	<p>At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year’s audit of the Authority’s financial statements.</p>

<p><b>Proposed opinion</b></p>	<p>We anticipate issuing an unqualified audit opinion by 30 September 2010. We will also report that the wording of your Annual Governance Statement complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE in June 2007 and it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.</p>
<p><b>Accounts production and audit process</b></p>	<p>The quality of the accounts and the supporting working papers provided has been high. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>
<p><b>Critical accounting matters</b></p>	<p>We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed all issues appropriately including the change in the SORP to agency accounting.</p>

We have raised nine recommendations following our audit work, which are included in Appendix C. None of these are high priority.

## Executive summary

### Use of Resources

The table below summarises the key findings from our assessment of the Authority's arrangements to secure value for money in its use of resources. Our findings are detailed in section three of this report.

<b>Proposed opinion</b>	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.
<b>Use of resources assessment</b>	<p>Following the change in government, the use of resources assessment at local authorities ceased with immediate effect in May 2010.</p> <p>The Authority will therefore not receive scores in respect of the 2010 assessment.</p> <p>However, the fieldwork that we had carried out prior to the cessation of the assessment indicated to us that overall the Authority had maintained the level of performance we had seen in the prior year when it was judged to be performing well.</p>

### Exercise of other powers

We have a duty under section 8 of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to our attention in order for it to be brought to the attention of the public. In addition we have a range of other powers under the 1988 Act.

No issues have arisen that have required us to issue a report in the public interest.

### Certificate

We are required to certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice. If there are any circumstances under which we cannot issue a certificate, then we are required to report them to you and to issue a draft opinion on the financial statements.

At present there are no issues that would cause us to delay the issue of our certificate of completion of the audit.

### Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

## Section two – financial statements

# Introduction

**We have completed our work on the 2009/10 financial statements.**

**We anticipate issuing an unqualified audit opinion by 30 September 2010.**

### The Authority's and our responsibilities

West Berkshire Council is responsible for having effective systems of internal control to ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that give a true and fair view of its financial position and its expenditure and income. It is also responsible for preparing and publishing an Annual Statement of Governance with its financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

The Audit Commission's Code of Audit Practice requires us to summarise the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified and we report to those charged with governance (in this case the Audit Committee) at the time they are considering the financial statements.

We are also required to comply with International Standard on Auditing (ISA) 260 which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements.

### Introduction

Our audit of the financial statements can be split into four phases:



### Planning

We issued our Annual Fee letter on 30 April 2009. Our planning stage involved:

- Performing risk assessment procedures and identifying risks
- Determining our audit strategy
- Determining our planned audit approach, including liaising with internal audit

### Control Evaluation

Our interim audit visit was in March 2010. During this time, we carried out the following work

- Understanding accounting and reporting activities
- Evaluating the design and implementation of selected controls
- Testing the operating effectiveness of selected controls
- Assessing control risk
- Testing a sample of the work of internal audit to allow us to place reliance on their work where applicable

### Substantive Procedures

Our final accounts visit on site took place between 2 and 27 August. During these four weeks, we carried out the following work:

- Planning and performing substantive audit procedures
- Concluding on critical accounting matters
- Identifying audit adjustments
- Reviewing the Annual Governance Statement

## Introduction

**We have completed our work on the 2009/10 financial statements.**

**We anticipate issuing an unqualified audit opinion by 30 September 2010.**

We have now substantially completed our audit of the Authority's 2009/10 financial statements.

### Completion

We are now in the final phase of the audit. Some aspects are discharged through this report:

#### Completion

- Declaring our independence and objectivity
- Obtaining management representations
- Reporting matters of governance interest
- Forming our audit opinion

We anticipate issuing an unqualified audit opinion by 30 September 2010.



## Organisational control environment

Your organisational control environment is effective overall.

### Work completed

- Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. Most of the organisational controls we assess are linked to our use of resources work, which also considers the Authority's system of internal control. In particular, the areas of risk management, internal control and ethics and conduct have implications for our financial statements audit.
- We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

### Key findings

- We consider that overall your organisational controls are effective.

Aspect	Assessment
Organisational structure	●
Integrity & ethical values	●
Philosophy & operating style	●
Participation of those charged with governance	●
Human resource policies and practices	●
Risk assessment process	●
Information systems relevant to financial reporting	●
Communication	●
Monitoring	●

**Key:**  
 ● Significant gaps in the control environment  
 ● Minor deficiencies in respect of individual controls  
 ● Generally sound control environment

## IT control environment





**Your IT control environment is effective overall**  
**We noted six areas for further improvement.**

### Work completed

- The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

### Key findings

- We found that your IT control environment was effective overall.
- We noted six areas for improvement:
  - Authorisation for changes in job function for SX3 are not appropriately authorised;
  - There are no password complexity requirements in iCON or ResourceLink;
  - No periodic user reviews take place for iCON, ResourceLink or SX3;
  - System changes for ResourceLink are not appropriately logged; and
  - Super users are not appropriate on ResourceLink.
- We have raised recommendations relating to these in Appendix C. None of these are considered high priority

Aspect	Assessment
Access to systems and data	
System changes and maintenance	
Computer operations, incl. processing and backup	
End-user computing	

**Key:**  
 Significant gaps in the control environment  
 Minor deficiencies in respect of individual controls  
 Generally sound control environment

## Controls over key financial systems

The controls over all of the key financial system are generally sound.

We noted some minor weaknesses in respect of some systems.

### Work completed

- We work with the Authority’s internal auditors to update our understanding of the Authority’s key financial processes where these are relevant to our final accounts audit. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.
- Our assessment of a key system will not always be in line with the internal auditors’ opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

### Key findings

- The controls over all of the key financial system are generally sound.
- We noted some minor weaknesses in respect of financial systems:
  - The controls relating to raising invoices and credit notes require strengthening;
  - Segregation of duties of authorising journals requires improvement;
  - Minor amendments are required to payroll controls, including how starters, leavers, and amendments are processed;
  - More stringent segregation of duties is required for expenditure at WBC;
  - Members should be required to confirm their interests on an annual basis; and
  - WBC should ensure that key controls, such as reconciliations are signed as evidence of review.

Recommendations have been raised in relation to these issues in Appendix C.

Key system	Assessment
Financial reporting	●
Council tax income	●
Business rates income	●
Sundry income	●
Payroll expenditure	●
Non-pay expenditure	●
Benefits expenditure	●
Cash	●
Treasury management	●

Key:  
 ● Significant gaps in the control environment  
 ● Minor deficiencies in respect of individual controls  
 ● Generally sound control environment

**Internal audit complies with the Code of Practice for Internal Audit in Local Government.**

**We were able to place full reliance on internal audit's work on the key financial systems.**

**Work completed**

- We work with the Authority's internal auditors to assess the control framework for key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work.
- Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.
- The Code of Practice for Internal Audit in Local Government ('the Code') defines the way in which the internal audit service should undertake its functions. We assessed internal audit against the eleven standards set out in the Code.
- We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them.

**Key findings**

- We have performed an assessment of the internal audit function encompassing: the nature and extent of the internal audit function's assignments; whether management acts on internal audit reports and recommendations; the technical competence of the internal audit function; the due professional care of internal audit and the objectivity of internal audit.
- Based on our assessment, internal audit complies with the Code.
- We did not identify any significant issues with internal audit's work and are pleased to report that we were again able to place reliance on internal audit's work on the key financial systems.

Standard	Assessment
Scope of internal audit	●
Independence	●
Ethics for internal auditors	●
Audit Committee	●
Relationships with management, other auditors and other review bodies	●
Staffing, training and development	●
Audit strategy and planning	●
Undertaking audit work	●
Audit strategy and planning	●
Due professional care	●
Reporting	●

**Key:**  
● Non-compliance with the standard  
● Minor deficiencies  
● Full compliance with the standard

## Accounts production and audit process

**We have noted that the quality of the accounts and the supporting working papers was high.**

**Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.**

**The wording of your Annual Governance Statement accords with our understanding.**

### Accounts production and audit process

ISA 260 requires us to communicate to you our views about the qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

### Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.



Element	Commentary
Accounting practices and financial reporting	The Authority has embedded financial reporting processes. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 22 June 2010 in accordance with the agreed timeframe.
Quality of supporting working papers	Our Accounts Audit Protocol, which we issued on 12 April 2010 and discussed with the Principal Accountant, set out our working paper requirements for the audit. The quality of working papers provided was high and met the standards specified in our Accounts Audit Protocol.
Response to audit queries	All additional audit queries were resolved in a reasonable time. There were no significant delays and the relevant staff members were available during the course of the audit. Where staff were not available for particular periods, this was clearly communicated to us and did not delay the completion of our work.

## Critical accounting matters

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed these issues appropriately.

### Work completed

- As part of our planning phase, we identified the key risks affecting the Authority's 2009/10 financial statements.
- We have now completed our testing of these areas and set out our final evaluation following our substantive work. We also provide findings of other critical accounting matters identified during the course of our work

Key audit risk	Issue	Findings
 <p style="text-align: center;"><b>Agency accounting</b></p>	<p><b>Changes to Council tax and NNDR accounting</b></p> <p>In the 2009/10 SORP changes were made to the requirements for the accounting for Council tax and NNDR. Billing authorities are now considered to be acting as agents for major preceptors when collecting Council tax and for the UK government when collected NNDR.</p> <p>This required a prior period adjustment to the 2008/09 comparatives to recognise the change in accounting policies. It also required a change in the entries for Council tax income and receipts, NNDR receipts and associated debtors and creditors.</p>	<p>We have substantively tested the entries made in the 2009/10 accounts and the adjustments made to restate the prior year comparatives. No errors were identified.</p>
 <p style="text-align: center;"><b>Implementation of IFRS</b></p>	<p><b>Preparation of 2010/11 Accounts under IFRS</b></p> <p>The Authority will need to prepare its 2010/11 Accounts under IFRS</p>	<p>We have reviewed the Authority's progress in implementing IFRS against its convergence plan and held discussions with officers on key areas.</p>

## Audit differences

**We have identified no differences in the course of the audit that are considered to be material.**

**All adjustments were processed by management**

### Work completed

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

### Key findings

We did not identify any material misstatements. We identified a number of presentational amendments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2009: A Statement of Recommended Practice* ('SORP').

We also identified one adjustment relating to 4 assets which had been revalued, but the valuation not reflected in the Accounts. The correction for this was as follows:

	Dr (£)	Cr (£)
Capital Adjustment Account	1,073,833	
Net Cost of Services	434,833	
Operational Assets		1,023,833
Non operational assets		50,000
SMGFB		434,833

All of the identified adjustments were adjusted by Authority.

## Section two – financial statements Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

**Before we can issue our opinion we require a signed management representation letter, and have provided a draft version at Appendix F.**

**Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.**

### **Declaration of independence and objectivity**

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of West Berkshire Council for the year ending 31 March 2010, we confirm that there were no relationships between KPMG LLP and West Berkshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix E in accordance with ISA 260.

### **Management representations**

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have included a copy of a representation letter as Appendix F. We have provided a draft to the Director of Finance. We require a signed copy of your management representations before we issue our audit opinion.

### **Other matters**

ISA 260 requires us to communicate "audit matters of governance interest that arise from the audit of the financial statements" to you which includes:

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc); and
- other audit matters of governance interest.

There are no other matters which we wish to draw to your attention.

### **Opinion**

We anticipate issuing an unqualified audit opinion by 30 September 2010.

Our proposed opinion on the financial statements is presented in Appendix A



## Introduction

**We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

### The Authority's and our responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and regularly reviewing their adequacy and effectiveness.

We are required to conclude whether the Authority has adequate arrangements in place to ensure effective use of its resources. We refer to this as the 'value for money (VFM) conclusion'.

### Introduction

Our assessment previously drew mainly on the findings from the use of resources assessment (UoR) framework, as the specified criteria for the VFM conclusion were the same as the UoR Key Lines of Enquiry (KLoE).

In May 2010 the new government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This includes work for UoR assessments at local authorities

However, there is no change to the requirement in the statutory Code of Audit Practice for auditors to issue a VFM conclusion.

At the time of the announcement, the majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion.

### Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our proposed conclusion is set out in Appendix B.

VFM criterion	Met
<b>Managing finances</b>	
Financial planning	✓
Understanding costs and achieving efficiencies	✓
Financial reporting	✓
<b>Governing the business</b>	
Commissioning and procurement	✓
Data quality and use of information	✓
Governance	✓
Risk management and internal control	✓
<b>Managing resources</b>	
Use of natural resources	X*
Strategic asset management	✓
Workforce planning	✓

\* - not assessed for single tier councils in 2009/10

The following pages include further details on the use of resources assessment.

## Use of resources assessment

**The Audit Commission announced that its use of resources assessment at local authorities ceased with immediate effect in May 2010.**

**The Authority will therefore not receive scores in respect of the 2010 assessment.**

### Work completed

- We completed work on the 2010 use of resources assessment between March and May 2010.
- Our work involved review of the Authority's self-assessment, discussions with key officers and review of relevant internal and external documentation.

### Key findings

- Even though the 2010 UoR assessment was substantially completed, we have been advised by the Audit Commission not to share indicative scores with audited bodies.

- We have therefore only included general messages in this report about the Authority's performance in each area. In particular, we have highlighted the key issues and themes which we consider should be brought to the attention of those charged with governance.
- Below we set out our findings in respect of each area.

### Headlines

## Managing finances

- The Council has an overall Medium Term Financial Strategy (MTFS) in place, which is updated annually and covers a three year rolling period. The MTFS drives the budget setting process each year and the efficiency savings programme required. The budget is aligned to the Council's strategic priorities.
- The MTFS is publically available and sets out the Council's financial vision for the next three years. Within this is included a risk analysis where key sensitivities, such as inflation, and economic downturn are run through the budget to give a best and worst case scenario. Based on the MTFS analysis, a programme of required savings and efficiencies is generated.
- The Council has a value for money strategy, which identifies the high cost areas. A VfM group then has a rolling programme of service reviews to help understand and to reduce costs. Benchmarking is used for nearest neighbour analysis.
- There is a good understanding of the cost drivers across all service areas. High level reporting is supported by detailed transactional analysis and comprehensive working papers.
- Financial reports are produced throughout the year, which are profiled and include year to date performance as well as forecasts. Budget holders have 24/7 access to the system to obtain up to date budget information between finance reports being produced.
- The accounts are produced and approved in line with statutory deadlines, supported by working papers that are provided on a timely basis. We identified only minor presentational adjustments to the 2009/10 Accounts
- The most recent published accounts and annual audit letter are available to the public and appeared on the Authority's website on a timely basis and in accessible formats.

## Use of resources assessment (continued)

**The Audit Commission announced that its use of resources assessment at local authorities ceased with immediate effect in May 2010.**

**The Authority will therefore not receive scores in respect of the 2010 assessment.**

### Governing the business

#### Headlines

- The Council has a Procurement Strategy in place which aligns with both the Council Plan and the SCS. This and the sustainable procurement policy set out milestones and goals for future years. The Council is part of the Berkshire Procurement and Shared Services Unit (BPSSU). Collaborative exercises have included energy, school meals and social care.
- Key Council outcomes are refreshed every year through the corporate plan.
- The Constitution sets out the ethical framework for officers and members. All relevant policies and processes are in place.
- The Authority has a sound system of internal control which includes delivering the core functions of an audit committee, providing effective internal audit in accordance with the CIPFA Code of Practice, an assurance framework informing transparent governance reporting, standing orders, standing financial instructions and a scheme of delegation, ensuring compliance with relevant laws and regulations and that expenditure is lawful and sound internal financial control for key systems.
- The Council has a data quality strategy in place, and performance management is a key outcome in the Council plan. An 'Excellent Performance Management Group' (EPMG) is in place, made up of performance officers and managers from each directorate within the Council. The group has the role of looking at the processes which support performance management and reporting, and plays a role in quality assurance framework for PIs.
- Ethical training is provided by the Monitoring Officer to all Members and parish councillors. There are good working relationships between members and officers, via the 'lead member' structure, where members work directly with heads of service in their particular area.
- The Council has a Fraud and Corruption policy and strategy in place, and the CIPFA anti-fraud guide has been adopted. A zero tolerance approach is taken to fraud and particularly in the Benefits department, alleged/suspected frauds are always investigated and where appropriate, prosecution is sought.

### Managing resources

#### Headlines

- The council has a corporate workforce plan which is linked through to both Strategic Objectives and service plans. There is joint workforce planning in place with Berkshire West PCT, TV Police and the PCT.
- Staff costs are benchmarked against the Cifa benchmarking club, where costs are considered high, VFM reviews take place to establish the reason for the high costs.
- An annual HR report is produced which details performance across the organisation in 2009-10, 22 cases of poor performance were reviewed. Staff absence is reported on a monthly basis, the council target maximum is 8.9%. Progress is reported quarterly to members and the council is within target.
- The Asset Management Plan produced by Property Services provides an overview of the corporate estate and its utilisation. The Plan outlines the Council's principle aims and objectives and incorporates input from individual services where appropriate
- Local KPI's reported to Members quarterly. Personal objectives monitored through appraisal process. National Property Performance Management Initiative (NaPPMI) stats reported in AMP annually. The Council is starting to benchmark with other authorities which are members of South Eastern Branch of Association of Chief Estate Surveyors and Property Managers in the Public Sector (SEACES)

## Appendix A: Proposed Opinion on the Financial Statements

**Our proposed opinion is unqualified.**

**There are no expected modifications to the auditors' report.**

### **Independent auditors' report to the Members of West Berkshire Council**

#### **Opinion on the accounting statements**

We have audited the Statement of Accounts of West Berkshire Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Statement of Accounts comprises the Income and Expenditure Account, the Statement of 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 Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and related notes. The Statement of Accounts has been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to West Berkshire Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state West Berkshire Council, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than West Berkshire Council, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Director of Finance and auditors**

The Director of Finance's responsibilities for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Statement of Accounts 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 Statement of Accounts gives a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of 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 Authority's corporate governance procedures or its risk and control procedures.

## Appendix A: Proposed Opinion on the Financial Statements (continued)

**Our proposed opinion is unqualified.**

**There are no expected modifications to the auditors' report.**

We read other information published with the Statement of Accounts and consider whether it is consistent with the audited Statement of Accounts. This other information comprises the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Statement of Accounts. 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 an examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Statement of Accounts, 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 Statement of Accounts is 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 Statement of Accounts.

### **Opinion**

In our opinion the Statement of Accounts gives a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

**Greg McIntosh**

**Senior Statutory Auditor**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

*15 Canada Square*

*Canary Wharf*

*London*

*E14 5GL*

**[Date]**

## Appendix B: Proposed use of resources conclusion

**Our proposed use of resources conclusion is unqualified.**

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

#### **Authority's Responsibilities**

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 regularly to review the adequacy and effectiveness of these arrangements.

#### **Auditors' 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. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, 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 2010.

**Greg McIntosh**

**Director**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

*15 Canada Square*

*Canary Wharf*

*London*

*E14 5GL*

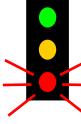


**[Date]**

## Appendix C: Recommendations

**We have raised nine recommendations to strengthen the system of internal control at the Authority.**

**None of these recommendations are considered high priority**

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take. We will follow up these recommendations next year.

Priority rating for recommendation		
<p><b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> 	<p><b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> 	<p><b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> 

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
1	2	<p><b>Journal controls</b></p> <p>Observation</p> <p>Two types of journals are used by West Berkshire Council; 'Actools' journals, and 'Online' journals.</p> <p>We identified as part of our review that 'Online' journals do not require authorisation, and can be posted by officers working in the business units within the Council.</p> <p>We note that an authorisation process is in place for 'Actools' journals, and that management accounts can be used to identify significant journal errors for both 'Online' and 'Actools' journals.</p> <p>Risk</p> <p>Journals may not be raised appropriately</p> <p>Recommendation</p> <p>West Berkshire Council should look to eliminate the use of 'Online' journals, and move to only using the 'Actools' process.</p>	<p>Once Agresso 5.5 is implemented in early 2011, all journals will be online with full workflow, thus ensuring that every journal goes through a full authorisation process. At present, any online journals are countersigned by accountancy once completed online as these journals cannot be authorised online in the current version of Agresso</p> <p>Responsible officer: Joseph Holmes</p> <p>Due date :1.4.2011</p>

## Appendix C: Recommendations (continued)

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
2	2	<p><b>Payroll controls</b></p> <p><b>Observation</b></p> <p>The following issues were identified as part of our review of the Council's controls in respect of payroll:</p> <ol style="list-style-type: none"> <li>1. Although exceptions reports are being produced, they do not identify amendments to grade, role, spine point, or hours;</li> <li>2. Although establishment lists are issued to budget holders, there is no process by which the results of this exercise are collated;</li> <li>3. We sampled 25 starters and identified one instance where a form authorising the appointment of the new starter could not be located;</li> <li>4. We sampled 25 leavers and identified one instance where an employee hadn't worked for the Council for two years, but remained on the payroll system. We note that no payment had been made during these two years; and</li> <li>5. We sampled 25 payroll payments and identified one instance where costs had been incorrectly allocated across budget codes.</li> </ol> <p><b>Risk</b></p> <p>There is a risk that the combination of these issues could mean that a payroll error could go unidentified. We note that significant errors would be identified through review of the management accounts.</p> <p><b>Recommendation</b></p> <p>HR should request that budget holders confirm that they have reviewed their establishment list at least every quarter. Any issues identified through this process should be investigated by HR.</p>	<ol style="list-style-type: none"> <li>1. It would not be appropriate to use exception reports to identify changes to grade, role, spine point or hours. These are not 'exceptions', if information was required on these type of changes then the audit trail reporting system would be used.</li> <li>2. See recommendation below.</li> <li>3. This appears to be filing error, a copy of the starter form has been obtained.</li> <li>4. This employee was added to payroll by a school with the instruction that they were only to be paid upon receipt of a timesheet (casual worker). We have hundreds of such workers. Periodically the payroll team do a sweep of the system and pick up cases where casuals have not worked for a long time and automatically make them leavers. This is a long established process and we are of the view that it is appropriate.</li> <li>5. The costs had not been incorrectly allocated and the correct procedures had been followed by HR staff. The instruction to change the employees cost centre was totally incorrect. Costing details are held at post level not employee level. This was coupled with the wrong form being used and it being sent to the wrong team. The service manager involved has already been reminded of the need to follow the correct procedure.</li> </ol> <p>Recommendation agreed. HR already request all Heads of Service to confirm that they have reviewed the establishment reports that are sent to them each month. The results are collated by HR and issues investigated. However it is accepted that the response rate to the monthly reports is not high. HR will implement a process whereby they will ensure a 100% response rate for the reports that are sent of the last month of each quarter.</p> <p>Responsible officer: Rob O'Reilly Due date :31.12.2010</p>

We have raised nine recommendations to strengthen the system of internal control at the Authority.

None of these recommendations are considered high priority



## Appendix C: Recommendations (continued)

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
<p><b>We have raised nine recommendations to strengthen the system of internal control at the Authority.</b></p> <p><b>None of these recommendations are considered high priority</b></p>	<p style="text-align: center;"><b>2</b></p>	<p><b>Authorising expenditure</b></p> <p><b>Observation</b></p> <p>Expenditure is initiated either through West Berkshire Council creating a purchase order, or through receiving an invoice, for which a purchase order has not been created. We identified that:</p> <ul style="list-style-type: none"> <li>• Prior to November 2009 the same person could both requisition and authorise a purchase order as long as they had the appropriate authorisation limit. This means that the 2009/10 accounts will include expenditure for which there has not been appropriate segregation of duties; and</li> <li>• The authorisation of payments for non-purchase order transactions is only undertaken for those worth over £5000.</li> </ul> <p><b>Risk</b></p> <p>There is a risk that payments are not appropriately authorised.</p> <p><b>Recommendation</b></p> <p>The Council should introduce sampling of all expenditure made through non purchase order transactions under £5,000 to ensure it is appropriate. This exercise should be documented and subject to manager review</p>	<p>Agreed. In addition to the current 100% check on £5k plus items, we will implement a system of weekly sample checks of items below £5k</p> <p>Responsible officer: Steve Duffin</p> <p>Due date: 30<sup>th</sup> September 2010</p>

## Appendix C: Recommendations (continued)

We have raised nine recommendations to strengthen the system of internal control at the Authority.  
None of these recommendations are considered high priority

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
4	2	<p><b>Controls over staff transfers</b></p> <p><b>Observation</b> For SX3 (council tax and NNDR system) authorisations for changes in job function are not kept.</p> <p><b>Risk</b> Users could be given an inappropriate level of access to the system if the appropriate authorisation is not obtained.</p> <p><b>Recommendation</b> All authorisation obtained for all changes to user access levels should be documented and retained.</p>	<p>Agreed and implemented. Responsible officer: Steve Duffin Due date: 20<sup>th</sup> September 2010</p>

## Appendix C: Recommendations (continued)

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
5	2	<p><b>Password controls</b></p> <p><b>Observation</b> There are no password complexity requirements in iCON (cash receiving system) or ResourceLink (payroll system). Password duration for users in ResourceLink varies between 0 and 999 days.</p> <p><b>Risk</b> A lack of complexity makes passwords easier to guess, which could undermine accountability and also allow users to gain unauthorised access to privileged</p> <p><b>Recommendation</b> We recommend that all systems be updated to enforce standard password settings as detailed in the IT Security Policy:</p> <ul style="list-style-type: none"> <li>• minimum 8 characters;</li> <li>• containing both upper and lower case letters and one numerical digit; and</li> <li>• enforced change every 90 days.</li> </ul>	<p>Agreed iCON: iCON supports a maximum of 8 character passwords and can enforce mix of letters and digits but not capitals. An enforced 90 day change is also available. These changes to the system configuration are currently being tested and will be made live when possible. Responsible officer: Steve Duffin Due date: 31<sup>st</sup> October 2010</p> <p>ResourceLink This is managed by the System Administrator within Human Resources. The default password format has now been set as 8 characters and a set mix of letters and numerics The system does not have the functionality to force the users to have both upper and lower case. The enforced change has now been set as 90 days for each user.</p> <p>Responsible officer: Steve Duffin Due date: Completed</p>

We have raised nine recommendations to strengthen the system of internal control at the Authority.

None of these recommendations are considered high priority

## Appendix C: Recommendations (continued)

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
6	2	<p><b>Review of users</b></p> <p><b>Observation</b> No periodic reviews of which users have access take place for iCON (cash receiving system), ResourceLink (payroll system) or SX3 (council tax system).</p> <p><b>Risk</b> There may be users in the system who have left the company or who have inappropriate levels of access for their job role.</p> <p><b>Recommendation</b> We recommend that a quarterly user review be performed and retained as evidence for audit trail for all systems.</p>	<p>Agreed In place for ResourceLink and SX3, will also be introduced for iCON. Responsible officer: Steve Duffin Due date: 31<sup>st</sup> October 2010</p>
7	2	<p><b>Super users</b></p> <p><b>Observation</b> The Head of Benefits and Exchequer currently has supervisor access to ResourceLink (payroll system).</p> <p><b>Risk</b> It is inappropriate for management to have super user access, as management override could easily be used to bypass authorisation controls in place to ensure accurate financial information.</p> <p><b>Recommendation</b> The access level for the Head of Benefits and Exchequer should be reviewed to ensure that they only have the level of access necessary to perform their role.</p>	<p>Super user access was appropriate for the Head of Benefits &amp; Exchequer whilst he led the system implementation project. Agreed that this level of access is no longer necessary and it will be removed. Responsible officer: Steve Duffin Due date: 30<sup>th</sup> September 2010</p>

We have raised nine recommendations to strengthen the system of internal control at the Authority.  
None of these recommendations are considered high priority

## Appendix C: Recommendations (continued)

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
<p>We have raised nine recommendations to strengthen the system of internal control at the Authority.</p> <p>None of these recommendations are considered high priority</p>			
8	2	<p><b>Changes to configuration settings</b></p> <p><b>Observation</b> Changes to the "System Control" task, the area of ResourceLink (payroll system) where system configuration settings are maintained, are not logged.</p> <p><b>Risk</b> An adequate audit trail may not be maintained for system changes</p> <p><b>Recommendation</b> System audit logging capability for this task should be enabled and changes made to system configuration settings regularly reviewed to ensure that unauthorised changes to core system functionality do not occur.</p>	<p>Agreed</p> <p>Responsible officer: Steve Duffin</p> <p>Due date: 30<sup>th</sup> September 2010</p>
9	3	<p><b>Members interests</b></p> <p><b>Observation</b> Member interests are recorded through members completing a change of interests forms when their circumstances change. An initial form is completed when they join the Council, there is however no central register of members interests. Nor are members required to confirm that there hasn't be a change to their interests on an annual basis.</p> <p><b>Risk</b> Members interests are not adequately recorded and monitored.</p> <p><b>Recommendation</b> A database of members interests should be created that can be updated with changes as necessary. Forms declaring changes should be kept as evidence of the members interests. Members should be required to confirm their interests on an annual basis.</p>	<p>Agreed. The Council has recently put in place a monitoring system to capture members interests. It is anticipated that this system will ask members to confirm any interests at six month intervals to ensure that the most up to date information is recorded. All paperwork covering member interests is available for the 2009-10 financial year as required for audit purposes.</p> <p>Responsible officer: David Holling</p> <p>Due date: 1.1.2011</p>

## Appendix D: Follow-up of prior year recommendations

The Authority has not implemented all of the recommendations in our ISA 260 Report 2008/09.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2008/09

	Number of recommendations that were:	
	Included in original report	Implemented in year or superseded
	3	1
		2

No.	Priority	Recommendation	Officer Responsible and Due Date	Status as at July 2010
1	2	<p><b>Related Party Transactions</b></p> <p>Members are not required to complete annual related party disclosure confirmations and are only required to inform Council Officers of any changes since the last related party declaration was completed. Some of these related party disclosures therefore have not been updated or re-confirmed for a significant amount of time.</p> <p>In order to comply with good practice and demonstrated transparency, we recommend that all members complete a related party return on an annual basis.</p>	<p>A revised Related Party Transaction form will be created and sent out to all members (including any co-opted members as independent members of Standards Committee) on an annual basis after the Council's AGM along with Declaration of Interest returns and reminders sent by the Head of Policy and Communication six months thereafter.</p> <p>David Holling May 2010</p>	<p><b>Not implemented</b></p> <p>In a continuation of this issue, members were not required to submit an annual return in 2009/10. This issue has been re-raised at Appendix C.</p>

## Appendix D: Follow-up of prior year recommendations (continued)

No.	Priority	Recommendation	Officer Responsible and Due Date	Status as at July 2010
2	2	<p><b>Review of SX3 access rights</b></p> <p>From our work on IT general controls we noted that there is no regular review of Northgate access rights to ensure that all users.</p> <p>We recommend a regular review is undertaken to ensure that access rights are appropriate and leavers' accounts are disabled.</p>	<p>Controls are in place to ensure system access is only provided as appropriate. These controls will be reviewed to ensure that they remain effective.</p>	<p><b>Not implemented</b></p> <p>In a continuation of this issue, we identified that there is no regular review of user access rights for SX3. This issue has been re-raised at Appendix C.</p>
3	2	<p><b>SX3 System parameters for passwords</b></p> <p>Our review of password criteria in Northgate demonstrated that minimum length criteria is not enforced, meaning that basic non-complex passwords can be used.</p> <p>We recommend that password controls are made more robust to reduce the risk of inappropriate or fraudulent access to the system.</p>	<p>Agreed.</p> <p>We take reconciliations seriously and the difference was identified and resolved.</p> <p>Assistant Director of Finance (Revenue and Benefits).</p> <p>Completed.</p>	<p><b>Implemented</b></p> <p>We concluded that the password parameters were satisfactory for SX3.</p>

The Authority has not implemented all of the recommendations in our ISA 260 Report 2008/09.

## Appendix E: Declaration of independence and objectivity

**The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.**

### Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

*“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s *Standing guidance for local government auditors* (‘Audit Commission Guidance’) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (‘Ethical Standards’).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.



## Appendix E: Declaration of independence and objectivity (continued)

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

### **General procedures to safeguard independence and objectivity**

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

### **Auditor Declaration**

In relation to the audit of the financial statements of West Berkshire Council for the financial year ending 31 March 2010, we confirm that there were no relationships between KPMG LLP and the West Berkshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

## Appendix F: Draft management representation letter

**We ask you to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. The wording for these representations is standard and prescribed by auditing standards. We require a signed copy of your management representations before we issue our audit opinion.**

Dear KPMG LLP,

We understand that auditing standards require you to obtain representations from management on certain matters material to your opinion. Accordingly we confirm to the best of our knowledge and belief, having made appropriate enquiries of other members of the Authority, the following representations given to you in connection with your audit of the financial statements for West Berkshire Council for the year ended 31 March 2010.

All the accounting records have been made available to you for the purpose of your audit and the full effect of all the transactions undertaken by West Berkshire Council has been properly reflected and recorded in the accounting records in accordance with agreements, including side agreements, amendments and oral agreements. All other records and related information, including minutes of all management and Committee meetings, have been made available to you.

We confirm that we have disclosed all material related party transactions relevant to the Authority and that we are not aware of any other such matters required to be disclosed in the financial statements, whether under FRS 8 or other requirements.

We confirm that we are not aware of any actual or potential non-compliance with laws and regulations that would have had a material effect on the ability of the Authority to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2010.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with the Local Government Statement of Recommended Practice ("SORP") and wider UK accounting standards. We have considered and approved the financial statements.

We confirm that we:

- understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements or omissions of amount or disclosures in financial statements to deceive financial statement users. Misstatements resulting from misappropriation of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation;
- are responsible for the design and implementation of internal control to prevent and detect fraud and error;
- have disclosed to you our knowledge of fraud or suspected fraud affecting the Authority involving:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others; and
- have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

## Appendix F: Draft management representation letter (continued)

**We ask you to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. The wording for these representations is standard and prescribed by auditing standards. We require a signed copy of your management representations before we issue our audit opinion.**

We confirm that the presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with applicable reporting standards. The amounts disclosed represent our best estimate of fair value of assets and liabilities required to be disclosed by these standards. The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority where relevant to the fair value measurements or disclosures.

We confirm that there are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than that already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

Finally, no additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements, over and above those events already disclosed.

This letter was tabled at the meeting of the Governance and Audit Committee on XXX September 2010.

Yours faithfully

[Name of Executive Director signing letter on behalf of West Berkshire Council]

On behalf of West Berkshire Council

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