



**KPMG LLP**  
**Audit**  
Canary Wharf (38th Floor)  
1 Canada Square  
London E14 5GL  
United Kingdom

Tel +44 (0) 29 2046 8087  
Fax +44 (0) 20 7311 3311  
DX 38050 Blackfriars  
lan.pennington@kpmg.co.uk

Andy Walker  
Head of Finance  
West Berkshire County Council  
Council Offices  
Market Street  
Newbury  
RG14 5LD

Your ref

Our ref **WBC/ Mgt. Representation  
letter 201314**

20 August 2014

Dear Andy

**Management Representations for West Berkshire Council for the year ended 31 March 2014**

We are required by Auditing Standards to obtain appropriate representations from Management before our audit report is issued. In a Local Government context we believe it is appropriate for these representations to be discussed and agreed by the Governance and Audit Committee. The actual representation letter should be signed by an appropriate representative (usually the Head of Finance or Chief Executive) on behalf of the Authority.

We have attached an example representation letter at Annex 1. Where you feel it would be helpful you may wish to adapt the wording of the standard letter.

***Related parties***

ISA 550 (UK&I) '*Related Parties*' requires auditors to obtain written representations from the Authority concerning the completeness of information provided regarding the related party disclosures in the financial statements. Written representations should include confirmation that all material related party transactions have been properly recorded and disclosed in the financial statements and that Management is not aware of any additional matters that should be disclosed.

***Laws and Regulations***

ISA 250 (UK&I) '*Consideration of Laws and Regulations in an Audit of Financial Statements*' requires auditors to obtain representations that the Authority has disclosed all known or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements. Where applicable, the written representation should include the actual or contingent consequences which may arise from non-compliance.

***Fair value measurements and disclosures***

ISA 545 (UK&I) '*Auditing Fair Value Measurements and Disclosures*' requires auditors to obtain written representations from management regarding the reasonableness of significant

assumptions used where those assumptions are relevant to fair value measurements or disclosures. ISA 545 recognises that many public bodies have adopted fair value as the basis of valuation for many classes of the assets and liabilities that they hold, or for disclosures of items in the financial statements. When fair value measurements and disclosures are material to the financial statements, the auditor should obtain sufficient appropriate audit evidence that such measurements and disclosures are in accordance with the entity's applicable financial reporting framework.

### ***Going concern***

ISA 570 (UK&I) '*Going Concern*' places emphasis on the Authority's responsibility for assessing going concern and disclosing the reasons for preparation of financial statements on a going concern basis. Where events or conditions have been identified which may cast significant doubt on an entity's ability to continue as a going concern we are required to seek written representations from Management regarding its plans for future action. In addition we are required to consider the need for written confirmations of representations from those charged with governance regarding their assessment that the entity is a going concern and any relevant disclosures in the financial statements.

### ***Unadjusted audit differences***

ISA 260 (UK&I) '*Communication of Audit Matters to Those Charged with Governance*' requires us to seek representations that the Authority believes the effects of uncorrected misstatements identified by the auditor during the audit are immaterial, both individually and in aggregate, to the financial statements taken as a whole. There are no unadjusted audit differences.

### ***Fraud***

ISA 240 (UK&I) '*The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements*' requires us to seek representations that the Authority acknowledges its responsibility to maintain an effective system of internal control and that all known frauds, suspected frauds, or risks of fraud have been disclosed to us during the course of our audit.

### ***Subsequent events and contingent liabilities***

These representations cover significant events that may have occurred since the balance sheet date that may require additional adjustment or disclosure, as well as the completeness of contingent liabilities disclosed in the financial statements.



*KPMG LLP*  
*Error! No text of specified style in document.*  
*20 August 2014*

We have attached an example letter of representation, see annex 1, which you may find helpful. Please note that this is not the only evidence we obtain in relation to these matters. If you feel that you cannot make the representations suggested in the example letter we will take this into account in determining the level of audit risk and the scope of our audit work.

Please contact us if you have any queries about the above or foresee any difficulties providing us with the representations sought in this letter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ian', with a long horizontal stroke extending to the right.

Ian Pennington  
*Director*  
*KPMG LLP*

## **Annex 1: Example Management Representations Letter**

This representation letter is provided in connection with your audit of the financial statements of West Berkshire Council (“the Authority”) for the year ended 31 March 2014, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### **Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’s expenditure and income for the year then ended;
  - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]

3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter. [ISA (UK&I) 450.14]

### **Information provided**

5. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
  - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - ii) The Authority has disclosed to you all information in relation to:
    - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and
    - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,
- 

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Governance and Audit Committee on 1 September 2014



*KPMG LLP*  
*Error! No text of specified style in document.*  
*20 August 2014*

Yours faithfully

Andy Walker,  
Head of Finance

## **Appendix to the Representation Letter of West Berkshire Council: Definitions**

### **Financial Statements**

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.”.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.



Misappropriation of assets involves the theft of an entity's assets. It is 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.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

### **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

### **Related parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

#### **Related party transaction**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.