



INFRASTRUCTURE, GOVERNMENT  
AND HEALTHCARE

**Report to those  
charged with  
governance  
2008/09**

Newbury Town Council  
15 March 2010

AUDIT

The contacts at KPMG in connection with this report are:

**Greg McIntosh**

Director  
KPMG LLP (UK)  
Tel: 020 7311 6430  
Fax: 020 7311 4121  
Greg.mcintosh@kpmg.co.uk

**Joanne Lees**

Senior Manager  
KPMG LLP (UK)  
Tel: 020 7311 6535  
Fax: 020 7311 4121  
Joanne.lees@kpmg.co.uk

**Emma Foy**

Manager  
KPMG LLP (UK)  
Tel: 020 7311 6535  
Fax: 020 7311 4121  
Emma.foy@kpmg.co.uk

	Page
<b>Executive summary</b>	2
<b>Use of resources</b>	4
<b>statements of account</b>	6
<b>Appendices</b>	9
1. Proposed use of resources conclusion	
2. Proposed audit report	
3. Audit differences	
4. Recommendations	
5. Follow up of previous recommendations	
6. Audit reports issued	
7. Declaration of independence and objectivity	
8. Draft management representations letter	
9. Audit fee	

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 1769, email greg.mcintosh@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 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 e-mail 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

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### Scope of this report

The Audit Commission's Code of Audit Practice (the Code) 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 Policy and Resources Committee) at the time they are considering the statements of account. 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. It summarises the key issues identified during our audit of Newbury Town Council's ('the Authority's') statements of account for the year ended 31 March 2009. In addition, this report summarises our assessment of the Authority's arrangements to secure value for money in its use of resources.

### Summary of findings

#### *Use of Resources*

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. This assessment draws on the findings from the new use of resources assessment framework introduced by the Audit Commission in 2009

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

Our findings are detailed in Section two of this report and our proposed conclusion is set out in Appendix 1.

#### *Statements of account*

The Authority is responsible for putting in place effective systems of internal control which ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare statements of account that present fairly its financial position and its expenditure and income. It is also responsible for preparing and publishing an Annual Statement of Governance with its statements of account.

Our findings are detailed in Section three and our proposed opinion on the statements of account is presented in Appendix two.

#### *Status of the audit*

We have completed our audit of the financial statements of Newbury Town Council.

Auditing standards now require us to obtain management representation letter (draft version as Appendix 9).

## Executive summary (continued)

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### *Declaration of independence and objectivity*

In relation to the audit of Newbury Town Council for the year ended 31 March 2009, we confirm that there were no relationships between KPMG LLP and Newbury Town Council, its senior management and its affiliates that 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 seven in accordance with ISA 260.

### *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 brought to the attention of the public. In addition we have a range of other powers under the 1988 Act. We did not exercise these powers or issue a report in the public interest in 2008/09.

### *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 statements of account.

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

### *Fees*

Our budgeted fee for the audit is £8,600. This has been contained within the fee proposed in our audit plan. We have not performed any non-audit work.

### **Acknowledgements**

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

## Value for money conclusion

**We are required to conclude whether the Authority has adequate arrangements to ensure effective use of its resources. We reach this conclusion by assessing the Council's arrangements against the criteria issued by the Audit Commission to assist auditors in forming their VfM conclusion.**

**We 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 2009.**

### Introduction

In our *External Audit Plan 2008/09* we outlined the work streams which we complete to assess the adequacy of your arrangements which ensure that your resources are deployed effectively. Our conclusion is based on these work streams, our cumulative audit knowledge and any specific local risk work, as detailed below.

### The value for money conclusion

Under the Code of Audit Practice, auditors are required to give a value for money (VfM) conclusion in their statutory audit report as to whether they are satisfied that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor's VfM conclusion is informed, and limited, by reference to 'relevant criteria' covering specific aspects of audited bodies' arrangements, specified by the Audit Commission in accordance with the Code.

The introduction of the new Comprehensive Area Assessment (CAA) framework from 2009 has prompted the Commission to review the VfM conclusion criteria for all audited bodies. The previous VfM conclusion criteria have been replaced by key lines of enquiry (KLOEs). The Commission specifies which of these KLOE will form the 'relevant criteria' for the VfM conclusion for each type of body each year. The specified KLOE for 2008/09 and 2009/10 are set out in the table below:

KLOE	2008/09	2009/10
<b>Managing finances</b>		
1.1 Financial planning and financial health	✓	✓
1.2 Understanding costs and achieving efficiencies	✓	✓
1.3 Financial reporting	✓	✓
<b>Governing the business</b>		
2.3 Good governance	X	✓
2.4 Risk management and internal control	✓	X

Auditors are required to apply a 'yes/no' judgement against the criteria to indicate whether the audited body has proper arrangements in place or not. Criteria with a 'no' judgment will automatically apply in the following year, regardless of whether they are specified.

Auditors of 'other local government bodies' (such as the Town Council) will apply a proportionate approach in arriving at their VfM conclusion, in accordance with the relevant guidance. The guidance issued by the Audit Commission includes the characteristics of performance that auditors might expect to see to give a 'yes' judgement, and are not intended to be prescriptive or used as a checklist to arrive at a judgement for the VfM conclusion.

**Use of resources (continued)****Findings**

KLOE	Arrangements in place?
<b>Managing finances</b>	
1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	✓
1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	✓
1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	✓
<b>Governing the business</b>	
2.4 Does the organisation manage its risks and maintain a sound system of internal control?	✓

**Other work**

There may be circumstances in which the Commission has not specified that a KLOE should form a criterion for the VfM conclusion in a particular year but the auditor becomes aware of issues or new risks arising in relation to that KLOE. In such cases, the Commission requires auditors to undertake appropriate risk-based work as is necessary to discharge their statutory functions and they may reflect the results of this work in their VfM conclusion (e.g. by qualifying, if appropriate).

In 2007/08 we concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, with the exception of for arrangements to monitor the quality of its published performance information, and to report the results to Members and put arrangements in place for managing and measuring significant business risks and improving value for money.

We are satisfied that progress is being made to improve published performance information with service plans in place in all areas. In addition you have established a risk register and have put arrangements in place to secure and improve value for money. We suggest that as a further measure you introduce risk management training to members and officers to embed risk management arrangements into the organisation.

# Statement of Accounts

**The Authority 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 statements of account that present fairly its financial position and its expenditure and income. It is also responsible for preparing and publishing an Annual Statement of Governance with its statements of account.**

**We have substantially completed our work on the 2008/09 statements of account.**

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

**There are a number of areas where our work is continuing. Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 31 March 2010. We also review that the wording of your Annual Statement of Governance accords with our understanding and report if we have any concerns.**

## Introduction

Our statements of account work can be split into four phases:

Stage	Tasks	Timing	Completed
Planning	<ul style="list-style-type: none"> <li>Updating our business understanding and risk assessment</li> <li>Assessing the organisational control environment</li> <li>Issuing our statements of account audit protocol</li> </ul>	December 2008 to February 2009	✓
Control evaluation	<ul style="list-style-type: none"> <li>Reviewing the statements of account production process</li> <li>Evaluating and testing controls over key financial systems (where applicable)</li> <li>Review of internal audit</li> </ul>	August 2009	✓
Substantive testing	<ul style="list-style-type: none"> <li>Planning and performing substantive work</li> <li>Evaluating the statements of account production and audit process</li> <li>Concluding on critical accounting matters</li> <li>Identifying audit adjustments</li> <li>Reviewing the Annual Governance Statement</li> </ul>	August to September 2009	✓
Completion	<ul style="list-style-type: none"> <li>Declaring our independence and objectivity</li> <li>Obtaining management representations</li> <li>Reporting matters of governance interest</li> <li>Forming our audit opinion</li> </ul>	31 March 2010	-

## Substantive testing – statements of account production and audit process

As part of our use of resources assessment we assess the Authority's process for preparing the statements of account and its support for an efficient audit. We considered these against three criteria set out in the table overleaf.

**statements of account (continued)**

Element	Commentary
Completeness of draft statements of account	We received a complete set of draft statements of account on 10 August 2009. All supporting notes had been completed.
Quality of supporting working papers	Our statements of account Audit Protocol, which we issued discussed with the Council's accountant, set out our working paper requirements for the audit. All working papers were provided on the first day of our audit and were of an adequate standard to allow us to complete our work efficiently and effectively.
Response to audit queries	All audit queries were responded to promptly.

We have raised three performance improvement observations, which are included within Appendix Four.

**Substantive testing – adjustments to the statements of account**

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.

We did not identify any material misstatements.

We identified a small number of presentational adjustments required to correct typographical and rounding errors and to ensure that the statements of account are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice* ("SORP"). These have been addressed.

We have provided a summary of audit differences in Appendix Three.

**Substantive testing – 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 statements of account.

We have agreed a number of minor presentational and typographical adjustments to the statements of account.

**Completion – management representations**

Auditing standards require us to obtain from you representations on specific matters such as your financial standing and whether the transactions within the statements of account are legal and unaffected by fraud. We have included a copy of a representation letter as Appendix Eight. We will provide a draft to the Chief Executive Officer. We require a signed copy of your management representations before we issue our audit opinion.

For 2008/09 we are seeking specific assurance that sufficient and appropriate consideration has been given to potential impairments of the assets included in the statements of account in light of the current macro economic climate and that, where any such impairment has been identified, it is reflected accordingly in the statements of account. This includes compliance with the accounting policy for periodic revaluation of assets (under FRS 15), as well as the need for management to undertake a review of assets to determine whether there is any impairment to their value in accordance with FRS 11.

## statements of account (continued)

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### Completion – other matters

ISA 260 requires us to communicate “audit matters of governance interest that arise from the audit of the statements of account” 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.

### Completion – opinion

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion by 31 March 2010.

Our proposed opinion on the statements of account is presented in Appendix 2

## Appendix 1: Proposed use of resources conclusion

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### 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.

#### Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. 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, Newbury Town Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

Greg McIntosh

Senior Statutory Auditor

**for and on behalf of KPMG LLP**

Statutory Auditor

London

15 March 2010

## Appendix 2: Proposed audit report

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### Independent auditors' report to the Members of Newbury Town Council

#### Opinion on the statements of account

We have audited the Statement of Accounts of Newbury Town Council for the year ended 31 March 2009 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 and related notes. The Statements of Accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Newbury Town 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 to Newbury Town Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Newbury Town Council, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Chief Executive Officer and auditors

The Responsible Financial Officer's responsibilities for preparing the statements of account in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

Our responsibility is to audit the statements of account and related notes 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 presents fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 statements of account. 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.

We read other information published with the statements of account and related notes and consider whether it is consistent with the audited statements of account and related notes. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statements of account and related notes. Our responsibilities do not extend to any other information.

#### Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statements of account and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the statements of account and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statements of account and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statements of account and related notes.

## Appendix 2: Proposed audit report (continued)

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### Opinion

In our opinion, the Statement of Accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

### Certificate

We certify that we have completed the audit of the Statement of Accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Greg McIntosh

Senior Statutory Auditor

**for and on behalf of KPMG LLP**

Statutory Auditor

London

15 March 2010

## Appendix 3: Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to the Policy and Resources Committee . We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

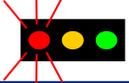
We have identified two adjustments which affect the balance sheet and do not affect the General Fund balance carried forward. These adjustments have been corrected by the council.

### Audit differences

Balance Sheet	Basis of Audit Difference
<b>£78,198</b>	Capital creditors had been incorrectly classified within Trade creditors
<b>£16,210</b>	Shaw Cemetery had been incorrectly classified within vehicles and equipment and should be reclassified within Operational Buildings

## Appendix 4: Accounts recommendations

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.	Risk	Issue and recommendation	Management response	Officer and due date
1	● (three)	<p><b>Register of Interests</b></p> <p>The Chief Executive Officer writes to members to request declarations of interest.</p> <p>Not all returns were made by members despite reminders from officers.</p> <p>Given increasing public scrutiny of Members' interests, allowances and expenses, the Council should ensure that all Members make annual returns (including nil returns).</p>	<p>The Committees Officer collects all information from members at the beginning of their term, and then reminders are sent annually regarding the need to update the declarations of interest.</p> <p>If after three reminders, there is still no response from the member, then it is assumed that there are no changes to the register. Members will be made aware that the auditors are concerned that sufficient information is not being disclosed.</p>	<p>Committees Officer March 2010</p>
2	● (two)	<p><b>Sorp Disclosure checklist</b></p> <p>The Council did not review its accounts against the SORP Disclosure checklist. We recommend that the Council do this by using the FRSSSE guidance and checklist in future to minimise amendments to the accounts.</p>	<p>Newbury Town Council employ external consultants to assist with the creation of the Statutory Accounts, and it was assumed that these consultants would use the SORP Disclosure checklist. In light of the move to FRSSSE for the 2009/10 period, we intend to work more closely with the consultants and have already requested a copy of the FRSSSE guidance.</p>	<p>RFO before 30 June 2010</p>
3	● (two)	<p><b>Risk management training</b></p> <p>The Council does not have a risk management training programme in place for members. We recommend that the Council review training arrangements for members and officers, to ensure that they have access to up-to-date information on risk management methods.</p>	<p>A training workshop will be arranged during June 2010 for all members and officers to review and update the risk management strategy. This training will then continue on a six monthly basis.</p>	<p>CEO before 30 June 2010</p>

## Appendix 5: Follow up of previous recommendations

This appendix summarises the progress made to implement the recommendations identified in our previous reports. As our ISA 260 2007/08 report was presented in draft format to the council in August 2009, we have not documented a follow up of previous recommendations. This will be presented in our 2009-10 ISA 260 to allow sufficient time for our eight recommendations to be implemented.

Report	Number of recommendations that were:		
	Included in original report	Implemented in year or superseded	Remain outstanding (re-iterated below)
ISA 260 Report 2007/08	8	-	-

## Appendix 6: Audit reports issued

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A summary of the reports issued in the year to date is set out below.

Report	Date issued
2008/09 Audit Letter	March 2010
2009/10 Audit Plan	March 2010

## Appendix 7: Declaration of independence and objectivity

### Declaration of Independence and Objectivity 2008/09

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 Audit Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body, which 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 *Annual Letter of Guidance and Standing Guidance* (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 statements of account, 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 senior management and its affiliates, including all services provided by the audit firm and its network to the client, its 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 Policy and Resources 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.

### 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.

## Appendix 7: Declaration of independence and objectivity (cont'd)

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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 statements of account of Newbury Town Council for the financial year ended 31 March 2009, we confirm that there were no relationships between KPMG LLP and Newbury Town Council, its 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 8: Draft management representation letter

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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 statements of account for Newbury Town Council for the year ended 31 March 2009.

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 Newbury Town 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 Council 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 statements of account, 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 statements of account for the year ended 31 March 2009.

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

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 statements of account 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 statements of account.
- have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's statements of account communicated by employees, former employees, analysts, regulators or others; and
- have disclosed to you the results of our assessment of the risk that the statements of account may be materially misstated as a result of fraud.

We confirm that the presentation and disclosure of the fair value measurements of material assets and liabilities 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 statements of account. In particular:

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

## Appendix 8: Draft management representation letter (continued)

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With reference to the specific issues on which you have requested assurances, we confirm that:

- For 2008/09 we consider that sufficient and appropriate consideration has been given to potential impairments of the assets included in the statements of account in light of the current economic climate and that, where any such impairment has been identified, it is reflected accordingly in the statements of account. This includes compliance with the accounting policy for periodic revaluation of assets (under FRS 15), as well as the need for management to undertake a review of assets to determine whether there is any impairment to their value in accordance with FRS 11.

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

Yours faithfully

Chief Executive Officer

On behalf of Newbury Town Council