



GOVERNMENT

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

Newbury Town Council

13 September 2010

AUDIT

# Contents

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Report Sections		Page
<b>Section One</b>	Executive Summary	2
<b>Section Two</b>	Financial Statements	4
<b>Section Three</b>	Use of Resources	8

Appendices		Page
<b>Appendix A</b>	Proposed opinion on the financial statements	10
<b>Appendix B</b>	Proposed Use of Resources conclusion	12
<b>Appendix C</b>	Recommendations	13
<b>Appendix D</b>	Audit differences	14
<b>Appendix E</b>	Declaration of independence and objectivity	15
<b>Appendix F</b>	Draft management representation letter	17

This report is addressed to Newbury Town Council ("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 +44 (0) 2073116430, email [greg.mcintosh@kpmg.co.uk](mailto: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](mailto: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 Newbury Town Council's ('the Authority'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.

<b>Proposed opinion</b>	We anticipate issuing an unqualified audit opinion by 30 September 2010. We will also report that the wording of your Annual Governance Statement accords with our understanding of the Authority
<b>Accounts production and audit process</b>	The quality of accounts and working papers was generally of a good standard. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
<b>Critical Accounting matters</b>	The Authority prepared its Accounts under the FRSSE for the first time in 2009/10.
<b>Audit differences</b>	The impact of all audit adjustments identified to date is to: <ul style="list-style-type: none"> <li>• Increase the net operating deficit for the year by £16,000.</li> </ul> We also identified a number of presentational adjustments. All of which were adjusted by management

### Completion

At the date of this report our audit of the financial statements is substantially complete.

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.

## Executive summary

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### Use of Resources

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

### 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.

## Introduction

**We have completed our work on the 2009/10 financial statements and we anticipate issuing an unqualified audit opinion by 30 September 2010.**

### The Authority's and our responsibilities

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 financial statements that present 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 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:



This report summarises our findings from each stage of the audit process.

### Planning and Control Evaluation

We undertook planning procedures in March and April 2010 including updating our business understanding and risk assessment and assessing the organisational control environment.

As accounts are prepared by an external organisation we adopted a largely substantive approach. As such, work performed at this stage was limited but included a review of authority's governance framework.

We identified that the Authority established an appropriate risk management practice as per our prior year's recommendations.

### Substantive Procedures

Our final accounts visit on site took place in August 2010. During this time, we carried out the following work:

#### Substantive Procedures

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

We have 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.

## Accounts production and audit process

**The quality of accounts and working papers was generally of a good standard.**

**Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.**

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

### 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:

Element	Commentary
Accounting practices and financial reporting	The Authority outsources the production of its financial statements to an external accountant.
Completeness of draft accounts	We received a complete set of draft accounts in line with our timetable. We identified a number of adjustments to these Accounts as set out in Appendix D.
Quality of supporting working papers	The quality of working papers provided was generally of a high standard.
Response to audit queries	The majority of additional audit queries were resolved promptly.

### Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that

- it complies with ‘*Governance and Accountability for Local Councils: A Practitioners’ Guide (England) 2010*’ published by the National Association of Local Councils (NALC) in 2010; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

## Critical accounting matters

The Authority adopted the FRSSE for 2009/10.

Key audit risk	Issue	Findings
 <p><b>Change in accounting regime</b></p>	<p>A new, simplified, accounting regime was introduced for larger local councils for the first time in 2009/10. Although the requirements of the “Part 4 Guidance” (based on the FRSSE) are generally less onerous than under the Local Government SORP, there is a risk – as with any change – that the full requirements are unclear, misinterpreted, or not applied correctly.</p>	<p>We reviewed the Authority’s statement of accounts to ensure the disclosure and accounting requirements required by the Part 4 Guidance had been implemented.</p> <p>The majority of these changes were addressed by the Authority, however we raised and audit adjustment in relation to accounting for the DB pension scheme</p>

## 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.**

### **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 Newbury Town Council for the year ending 31 March 2010, we confirm that there were no relationships between KPMG LLP and Newbury Town 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 Responsible Finance Officer. 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 was undertaken through discussion with Council officers and review of supporting documentation. In accordance with the Audit Commission VFM Conclusion Criteria for 2009/10, we were required to assess the following Key Lines of Enquiry (KLOEs):

- Financial planning
- Understanding costs and achieving efficiencies
- Financial reporting
- Good governance

The other KLOEs do not form part of our review in 2009/10 as these are assessed on a cyclical basis.

### 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.

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

VFM criterion	Met
<b>Managing finances</b>	
Financial planning	✓
Understanding costs and achieving efficiencies	✓
Financial reporting	✓
<b>Governing the business</b>	
Governance	✓

## Use of resources assessment

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

### Managing finances

#### Headlines

- The Council’s budget setting process is robust and in-year monitoring allows for timely management of projected over- and under-spends where they arise
- Medium and long term planning are considered and published on Council’s website for operational and strategic targets.
- Management discharged its duties of safe keeping all accounting records.
- Whilst the accounts submitted for audit were largely complete and accurate, a number of minor presentational and disclosure adjustments were made together with 3 material (balance sheet only) adjustments

### Governing the business

#### Headlines

- There is a clear division of responsibility between members and officers, with constructive working relationships in place;
- The leadership has a strong vision for the Council, set out in the Council Strategy and it is communicated to the taxpayers;
- The Council has appropriate processes for dealing with complaints.
- As per our recommendation in 2008/09 audit the Authority developed a risk management strategy and a risk register.

## Appendix A: Proposed Opinion on the Financial Statements

**Our opinion states whether the accounting statements and related notes present a true and fair view of the financial position of the Authority and its income and expenditure for the year**

**We define what we mean by 'accounting statements'**

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

#### Opinion on the financial statements

We have audited the Statement of Accounts of Newbury Town Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Statement of Accounts comprise the Income and Expenditure Account, the Statement of Movement of Reserves, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the 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 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 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 Newbury Town Council, as a body, for our audit work, for this report, or for the opinions we have formed. The description of the Statement of Accounts should only include those relevant to the authority's circumstances.

#### Respective responsibilities of the Responsible Financial Officer and auditors

The Responsible Financial Officer's responsibilities for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and the Financial Reporting Standard for Smaller Entities (effective April 2008), 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 Financial Reporting Standard for Smaller Entities (effective April 2008).

We review whether the governance statement reflects compliance with 'Governance and Accountability for Local Councils: A Practitioners' Guide (England) 2010' published by the National Association of Local Councils (NALC) in 2010. We report if it does not comply with proper practices specified by NALC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the Statement of Accounts. 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 Statement of Accounts, and consider whether it is consistent with the audited Statement of Accounts. This other information comprises the Explanatory Foreword [and the content of the Annual Report]. 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. The other information that is 'read' is the content of the Explanatory Foreword, the Annual Report and any other information published with the Statement of Accounts. The description of the information in the Annual Report that has been read should be tailored to reflect circumstances and naming conventions.

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

**Our proposed opinion is unqualified.**

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

### **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 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 Council'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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Financial Reporting Standard for Smaller Entities (effective April 2008), of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

### **Certificate**

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

**Greg McIntosh**

**Senior Statutory Auditor**

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

*Chartered Accountants*

*15 Canada Square*

*Canary Wharf*

*London*

*E14 5GL*

*10<sup>th</sup> September 2010*

## 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 for other local government bodies specified by the Audit Commission and published in January 2009. 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 other local government bodies specified by the Audit Commission and published in January 2009, and the supporting guidance, 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 ending 31 March 2010.

**Greg McIntosh**

**Senior Statutory Auditor**

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

*Chartered Accountants*

*15 Canada Square*

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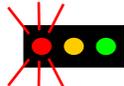
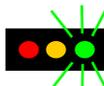
*E14 5GL*

*10<sup>th</sup> September 2010*

# Appendix C: Recommendations

**We have raised 1 audit recommendation.**

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>The financial statements are prepared on the basis of the Trial Balance prepared by the external accountant. We noted that the Authority does not perform a formal year end reconciliation between Trial Balance generated from their financial system to Trial Balance produced by external accountant.</p> <p>As per our request, RFO reconciled their Trial Balance against one prepared by the external accountants for year ended 31<sup>st</sup> March 2010.</p> <p>Going forward it is imperative that the Authority prepares a formal year end reconciliation between two Trial Balances for us to be able to rely on accuracy of Trial Balance prepared by the external accountants.</p>	<p>The RFO will ensure that the required reconciliation is executed as part of annual financial statement production, pre-audit March 2011.</p>

## Appendix D: Audit differences

**All audit differences have been adjusted by management**

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance. 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.

### Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Newbury Town Council's financial statements for the year ended 31 March 2010. We confirm that the following audit differences were adjusted in the revised financial statements.

Income and expenditure	Impact			Statement of Total recognised Gains and Losses	Basis of audit difference
	Assets	Liabilities	Reserves		
Dr Pension expenses £16,000 Cr Reversals of FRS 17 costs (under "Statutory charges and reversals") £16,000					To account for defined benefit pension schemes as per FRS 17 requirements. There is no net affect on the Income & Expenditure accounts as the accounting costs are reversed out.
		Cr Pension Liability £216,000	Dr Pensions reserve £216,000		To recognise increase in pension liability of £216,000 from £164,000 at the end of 31 <sup>st</sup> March 2009.
				Recognition of actuarial losses of £200,000	To recognise actuarial losses of £200,000 as per actuary's report.

## 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 Newbury Town Council.

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 Newbury Town Council for the financial year ending 31 March 2010, we confirm that there were no relationships between KPMG LLP and the Newbury Town 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 Newbury Town 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 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 management, 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 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 Financial Reporting Standard for Smaller Entities ("FRSSE") 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.

We consider the effects of uncorrected financial statement mis-statements summarised in the accompanying schedule to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 Council on 27 September 2010.

Yours faithfully

**Graham Hunt**

**Chief Executive**

**On behalf of Newbury Town Council**