



GOVERNMENT

Audit Memorandum -
Report to those
charged with
governance

Royal Borough of Windsor and
Maidenhead

Draft - 31 August 2008

AUDIT

Content

The contacts at KPMG in connection with this report are:

Neil Thomas
Associate Partner
KPMG LLP (UK)

Tel:020 7311 1379
Fax:020 7311 4121
neil.thomas@kpmg.co.uk

Justine Thorpe
Manager
KPMG LLP (UK)

Tel:020 7311 4147
Fax:020 7311 4121
justine.thorpe@kpmg.co.uk

Adetutu Doig
Assistant Manager
KPMG LLP (UK)

Tel:020 7311 1787
Fax:020 7311 4121
adetutu.doig@kpmg.co.uk

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This report is addressed to the Council and has been prepared for the sole use of the Council. 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 Neil Thomas, who is the engagement lead to the Council, telephone 020 7311 1379, email neil.thomas@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4063, 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 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 Team, Nicholson House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SU or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.



Section one

Executive summary

Purpose 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. We report to those charged with governance (in this case the Audit and Performance Panel) at the time you are considering the financial statements. We are also required to comply with an International Standard on Auditing (ISA260) 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 the financial statements for the year ended 31 March 2008. It has been prepared for presentation to the Audit and Performance Panel on 10 September 2008.

This report does not repeat matters we have previously communicated to you. A summary of the reports we have issued in the year is set out in Appendix 6. Once we have finalised our opinions and conclusions we will prepare our Annual Audit and Inspection Letter jointly with your Audit Commission CAA lead to close our audit.

Our opinions and conclusions

Use of Resources

The Council 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. Our responsibility is to satisfy ourselves that you have proper arrangements in place by reviewing and, where appropriate, examining evidence that is relevant to your corporate performance and financial management arrangements and reporting on them.

We have concluded that the Council 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.

Accounts and Annual Statement of Governance

The Council is responsible for putting in place systems of internal control to ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements 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 financial statements.

We have identified no issues in the course of the audit that are considered to be material. On receiving your management representations letter we will issue an unqualified audit opinion after the Audit and Performance Panel meeting of 10 September and before the deadline of 30 September 2008.

Our findings are detailed in section three and our proposed opinion on the accounts is presented in Appendix 2.

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. We did not exercise these powers or issue a report in the public interest in 2007/08.

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.

Although we have been in correspondence with two member of the public that have expressed objections to your accounts we believe that these matters should not impact on our opinion. Therefore we believe that there are no issues that would cause us to delay the issue of our certificate of completion of the audit.

Status of the audit

At the date of this report our audit work is substantially complete. We now require a signed management representation letter, and have provided a draft of this in Appendix 8.

Executive summary (continued)

Declaration of independence and objectivity

In relation to the audit of the financial statements of the Royal Borough of Windsor and Maidenhead Council for the financial year ending 31 March 2008, we confirm that there were no relationships between KPMG LLP and the Royal Borough of Windsor and Maidenhead Council, its members and officers 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 7 in accordance with ISA 260.

Fees

Our fee for the audit is £200,550. This has been contained within the totals agreed with you in our audit plan. We have not performed any non-audit work.

Section two

Use of resources

We are required to satisfy ourselves that you have proper arrangements in place to secure economy, efficiency and effectiveness in your use of resources. The overall score from your 2007 assessment indicates that overall you are performing well in your arrangements to secure economy, efficiency and effectiveness in its use of resources, work to date on the 2008 assessment has not identified any concerns.

Introduction

In our audit plan we outlined the work streams we consider to assess whether the arrangements you have in place to ensure that your resources are deployed effectively are appropriate. Our conclusion is based on our use of resources (UoR) self assessment and our cumulative audit knowledge.

UoR assessments

This assessment analyses your performance against the five themes published by the Audit Commission. The scoring of the themes ranges from one (inadequate) to four (performing strongly). A score above level 2 is sufficient to support an unqualified opinion value for money conclusion. Your results for 2007 are summarised below:

Theme	Score	How the findings have been reported
Financial Reporting	3	This work was undertaken in October 2007 and the score finalised by the Audit Commission on 10 December 2007. Our 2007 Use of Resources Report was presented to the Audit and Performance Panel on 11 February 2008.
Financial Management	3	
Financial Standing	3	
Internal Control	2	
Value for Money	3	

The overall score from your 2007 assessment indicates that you are performing well. A comparison of the scores between years shows that the Council has sustained its performance both at the theme level and at the sub-theme (i.e. KLOE) level in four out of the five areas. There has been an improvement in performance with regards to Financial Standing since last year. Internal Control is assessed as adequate.

We have begun work on the 2008 assessment and these findings will be published in December 2008 once they have been through the Audit Commission's national moderation process.

Other work

If we identify a need for it we are expected to perform other work as necessary to meet our responsibilities under the Code of Audit Practice. Our 2007/08 audit plan identified three areas where we considered more work was needed over the course of the year, as follows:

Effectiveness of the performance management framework

This review has been deferred, until late Autumn, when the Council's revised performance management framework has become more embedded.

Compliance with revised Prudential Regime

We have reviewed the Council's use of the revised regime and will be discussing our findings with officers over the next few weeks. No significant issues were identified.

Tackling health inequalities

We contributed to the Audit Commission's review in East Berkshire looking at how health and local government were working together to direct resources appropriately to narrow the health inequalities gap. A number of improvements were recommended to the four health and local government partners to improve the governance, accountability and performance management of public health groups in East Berkshire in relation to different strategic and management frameworks"

Accounts and Annual Statement of Governance

We have completed the audit in line with the deadline. We have identified no issues in the course of the audit that are considered to be material. On receiving your management representations letter we will issue an unqualified audit opinion before 30 September 2008. We have also provided you with a review of the accounts production process and how this can be further improved. We also report that the wording of your Annual Statement of Governance accords with our understanding of the Council's processes and procedures.

Introduction

The tasks we perform in our review of your financial statements are summarised below. They are split between those which are undertaken before, during and after production of the accounts.

Work Performed	Accounts production stage		
	Before	During	After
1. Business Understanding: review your operations.	✓	✓	-
2. Controls: assess the control framework.	✓	-	-
3. Prepared by client list: issue our prepared by client request.	✓	-	-
4. Accounting standards: agree the impact of any new accounting standards.	✓	✓	-
5. Accounts Production: review the accounts production process.	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures.	-	✓	-
7. Representations & opinions : seek and provide representations before issuing our opinions.	✓	✓	✓

We reported on the work carried out relating to the pre-accounts production stage as part of our Interim Audit Report. Below we focus on stages five and six:

Accounts Production

Your accounts production process is assessed as part of our UoR assessment. As part of this process we have considered the production process against three criteria:

Element	Commentary
Completeness of draft accounts	We received a final set of draft accounts on 25 June 2008, prior to commencement of our final accounts audit on 14 July 2008. The accounts were comprehensive and there were no material audit adjustments to the figures in the draft accounts. Officers adequately interpreted and implemented the new requirements of the 2007 SORP. However there were a number of minor narrative adjustments required to improve the overall presentation of the accounts.
Quality of supporting working papers	As part of our interim audit, we issued a 'Prepared by Client' (PBC) request that set out a number of documents we would need for our final accounts audit. You provided good supporting accounts documentation.
Response to audit queries	You dealt with audit queries efficiently and we found that staff were extremely helpful. The complete set of cross-referenced working papers to the accounts reduced the number of potential audit queries.

As a result of the above we have raised four recommendations which are included within Appendix 4. Recommendations not yet implemented from earlier years are detailed at Appendix 5.

Accounts and Annual Statement of Governance (continued)

Testing

During the course of our audit we have performed testing to provide ourselves with assurance over the balances disclosed within the financial statements. The level of testing undertaken is determined on the basis of: □

- the reliance we place on the financial controls and systems in place (this was considered at the time of our interim audit visit); □
- the value (materiality) of the balance being considered; and □
- the level of inherent, fraud and control risk attached to the balance being considered.

We have detailed below the key judgemental areas that underpin the financial statements and which have been subject to audit. Alongside the description of these areas we have provided you with our commentary on the status of each issue and its resolution.

Area	Description	Status/Resolution
Accounting for Capital	<p>The 2007 Statement of Recommended Practice (SORP) has imposed significant changes in the accounting treatment for capital items. The main changes are as follows:</p> <ul style="list-style-type: none"> • The introduction of the 'Revaluation Reserve' to store gains on revaluation of fixed assets not yet realised through sales. This reserve was established on 31 March 2007 with a nil balance and does not therefore reflect gains prior to this date; and • The creation of the 'Capital Adjustment Account' which recognises the difference between the cost of assets and the capital financing set aside to fund them. <p>Prior to 2007-08 all impairments arising through a general fall in prices were taken to the 'Fixed Asset Restatement Account.' These losses are now treated as a revaluation. Where such a revaluation can be covered by any previous revaluation gains it is taken to the Statement of Recognised gains and losses. Where previous revaluation gains are not available, or are insufficient, the revaluation cost is taken to the relevant service cost within the Income and Expenditure account.</p>	<p>We confirmed that the balance sheet figures at 31 March 2007 had been correctly adjusted within the 2007-08 Statement of Accounts to accommodate the introduction of the Revaluation Reserve. The Revaluation Reserve reflects gains relating to the 2007-08 period. The Council's balance in the Fixed Asset Restatement Account of £309,008k at 31 March 2007 was correctly written off to the Capital Financing Account. We reviewed the basis for the £2,418k impairments in the 2007-08 accounts (2006-07: £nil) and found that all items were appropriately treated in accordance with the SORP.</p>
Financial Instruments	<p>The 2007 Statement of Recommended Practice (SORP) has also imposed significant changes in the accounting treatment financial instruments with the introduction of three new Financial Reporting Standards (FRS): FRS 25; FRS 26; and FRS 29. The main changes are as follows:</p> <ul style="list-style-type: none"> • Interest accrued on investments is now required to be reflected as an increase in the value of the investment, rather than as a debtor in the balance sheet. • Interest payable and interest receivable are accounted for on the basis of the effective interest rate for each financial instrument and are no longer based on the cash flows fixed or determined by the contract in place. • All investment balances within the accounts are now required to be disclosed at their 'fair value'. This ensures the value of such assets reflects a better estimate of their future worth as opposed to their cost of acquisition. 	<p>We confirmed that no material changes arose as a result of adopting these new accounting standards which would require the need to restate the balance sheet as at 31 March 2007. Minor adjustments have been absorbed within the 2007-08 Income and Expenditure account. We have reviewed the investment valuation schedule and recomputed the effective interest rates for each investment, ensuring that the Council has computed the effective interest rate as per SORP guidance. The Council calculated the fair value of its investments, greater than one year, by rounding the maturity date to the nearest year rather than applying the actual date of maturity. We requested the Council adjusted these calculations to reflect the actual date of maturity (Appendix three.)</p>
Schools balances	<p>The Council has a 'schools revenue reserve' of £2,299k (2006-07: £2,159k) which represents the accumulated schools surpluses net of loan advances and also the dedicated schools grant carried forward to 2008/09. A number of the balances included here are estimates as not all returns are received at the time of accounts preparation.</p>	<p>We reviewed the reasonableness of the reserve and agreed the amounts set aside and found these to be appropriate.</p>

Accounts and Annual Statement of Governance (continued)

Area	Description	Status/Resolution
Provisions / Provisions for bad debt	<p>In accordance with FRS 12, a provision is a liability that is of both uncertain timing or amount, to be settled by the transfer of economic benefits. Provisions of £327k have been included within the 2007-08 financial statements (2006-07: £257k). No additional specific provisions have been made in the financial year.</p> <p>The Council has a provision for bad debt of £6,194k within the accounts (2006-07: £3,725k). We note that £1,341k relates to a provision for Housing benefit overpayments and although no such provision was made in 2006-07, the prior year balance has not been restated in the 2007-08 financial statements.</p> <p>The remaining part of the provision for bad debts relates to a provision for council tax arrears of £1,506k and a provision of £2,149k for non-domestic rate arrears.</p>	<p>We have discussed the reasons why the provisions are in the accounts and agreed that the provisions in respect of the DSO Gratuity Fund and the education liabilities arising from the former Berkshire County Council are still required.</p> <p>We are satisfied that the methodology applied in estimating the bad debt provision in relation to Housing Benefit overpayment is reasonable and that an adjustment is not required to the prior year bad debt provision balance as this is an improved estimate rather than a change in accounting policy or prior year error.</p> <p>We reviewed the assumptions in the calculation of bad and doubtful debt. We are satisfied that the Council has consistently applied an appropriate methodology when calculating the provisions disclosed.</p>
Pension Fund	<p>The Council is a contributor to the Royal Berkshire Pension Fund which is a statutory pension fund administered in-house on behalf of itself and the fund's scheduled and admitted bodies. The value of the fund is calculated by the fund's actuary (Hymans Robinson) and formally reviewed every three years. As at 31 March 2007, the pension fund was valued at a deficit of £879k. These balances are based upon actuarial judgements around the age, length of retirement and overall call on the funds.</p>	<p>All pension disclosures within the 2007-08 financial statements have been agreed to the report of the fund actuary.</p> <p>We have audited the Royal County of Berkshire Pension Fund Financial Statements and found that there were no significant issues or concerns that have come to light during the course of the audit.</p>

Corrected and uncorrected audit differences

We have enclosed a summary of both the uncorrected and the corrected audit differences in Appendix 3.

Opinions and Representations

As part of the finalisation process we are required to provide you with representations concerning our independence and ability to act as your auditors. We have provided this at Appendix 7.

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 provided a draft of this representation letter to the Head of Finance on 28 August 2008. We have also included a copy of this as Appendix 8. Once we have received this we will issue our audit opinion.

Other matters

ISA260 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 others matters which we wish to draw to your attention.

Appendix 1: Proposed use of resources conclusion

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 satisfy ourselves 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 me 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.

Proposed Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, We are satisfied that, in all significant respects, the Royal Borough of Windsor and Maidenhead Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

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.

KPMG LLP
Chartered Accountants
London

__ September 2008

Appendix 2: Proposed audit report

Independent auditor's report to the Members of Royal Borough of Windsor and Maidenhead

Opinion on the statement of accounts

We have audited the Authority's Statement of Accounts, Pension Fund Accounts and related notes of Royal Borough of Windsor and Maidenhead for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority's Statement of Accounts comprises the Explanatory Foreword, the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. The Pension Fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority's Statement of Accounts and Pension Fund Accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Royal Borough of Windsor and Maidenhead, 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 Royal Borough of Windsor and Maidenhead, 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 Royal Borough of Windsor and Maidenhead, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

The Head of Finance responsibilities for preparing the Statement of Accounts, including the Pension Fund Accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority's Statement of Accounts, Pension Fund Accounts 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 Authority's Statement of Accounts and the Pension Fund Accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of the Pension Fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme 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 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 Authority's Statement of Accounts, Pension Fund Accounts and related notes and consider whether it is consistent with the audited Authority's Statement of Accounts. This other information comprises the Explanatory Foreword and the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority statement of accounts, pension fund accounts 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 Authority's Statement of Accounts, Pension Fund Accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority's Statement of Accounts, Pension Fund Accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

Appendix 2: Proposed audit report (continued)

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 Authority's Statement of Accounts, Pension Fund Accounts 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 Authority's Statement of Accounts, Pension Fund Accounts and related notes.

Opinion

In our opinion:

- The Authority's Statement of Accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The Pension Fund Accounts and related notes presents fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

KPMG LLP
Chartered Accountants
London

___ September 2008

Appendix 3: Audit differences

We are required by ISA (UK and Ireland) 260 *Communication of Audit Matters to Those Charged with Governance* to communicate all uncorrected misstatements, other than those that we believe are clearly trivial, to the Audit Committee. We are also required to report all material misstatements that management has corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

This appendix sets out the audit differences identified by our audit of Royal Borough of Windsor and Maidenhead for the year ended 31 March 2008.

Corrected audit differences

Detailed below are the audit differences that have been corrected.

Debit	Credit	I&E Impact (£'000k)	Balance Sheet Impact (£'000k)	Basis of audit difference
Dr. Fixed Assets (L&B) £1,129k	(Cr.) Revaluation Reserve £1,129k	Nil	Nil	Mallards Car Park – part disposal and revaluation should be correctly accounted for through the Revaluation Reserve
Dr. Revaluation Reserve £1,129k	(Cr.) Capital Adjustment Account £1,129k	Nil	Nil	
Dr. Capital Adjustment Account (CAA) £876k	(Cr.) Revaluation Reserve (RR) £876k	Nil	Nil	Hines Meadow Car Park – part disposal and revaluation should be correctly accounted for by (1) moving the unrealised gain from the Capital Adjustment Account to the Revaluation Reserve
Dr. Income & Expenditure Account £5,122k	(Cr.) Statement of Movement on the General Fund Balance £5,122k	Nil	Nil	Hines Meadow Car Park – part disposal and revaluation should be correctly accounted for by (2) recognising the capital receipts correctly as relating to the disposal of a fixed asset.
Dr. Revaluations / Restatements and Impairments £5,122k	(Cr.) Disposals £5,122k	Nil	Nil	Hines Meadow Car Park – part disposal and revaluation should be correctly accounted for by (3) correctly classifying the reduction in value as a disposal rather than a revaluation.
Dr. Debtors Payments in Advance £520k	(Cr.) Debtors Other Local and Public Authorities £520k	Nil	Nil	Presentational error in 2007/08; a parish precept paid in advance was coded to 'Debtors Other Local and Public Authorities' instead of 'Debtors Payments in Advance'.

Uncorrected audit differences

Uncorrected audit difference	Basis of audit difference	Reason for non-adjustment
£112k	The Council provided for costs of £15k but the actual bill, received at the end of May 2008, for part of the Highways Surfacing Contract is £127k.	Officers made the best estimate of the year-end accrual using the information available. The difference is immaterial to the Council's Statement of Accounts and has been accounted for in the 2008/09 financial year.

Presentational issues

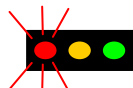
During the course of our audit we identified a number of minor presentational issues. These have all been amended by the Council and were not considered to be significant to warrant reporting on an individual basis.

Appendix 4: Accounts recommendations

This appendix summarises our recommendations relating to the accounts production process. We have given each one a risk rating (as explained below) and agreed with management what action they will take.

Priority rating for performance improvement observations raised

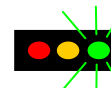
Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.



Priority two: 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.



Priority three: 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.



#	Risk	Issue and recommendation	Management response	Officer and due date
		Position of the Annual Governance Statement (AGS) in the Accounts		
1	● (two)	We suggest that the Council should consider the order of the AGS in the accounts. The AGS is currently at the back of the accounts after the glossary. As the AGS is intended to inform the reader of the accounts as to the reliance that can be placed on the Council's governance and control framework and therefore the reliability of the figures in the accounts, we suggest that the AGS should be placed before the Financial Statements to set the context for the reader of the accounts. Placing the AGS before the Income and Expenditure Account would then be consistent with the 2007 SORP.	Agreed	Head of Finance 31 May 2009
		Timely revaluation of completed Assets Under Construction		
2	● (three)	Our review of fixed assets showed that when assets under construction are completed there is no immediate revaluation. Instead these assets are picked up under the Council's five yearly revaluation programme. However there is a risk that the historical cost initially used in the accounts is not an appropriate figure. The SORP states that ' <i>when assets are ready for operational use that assets may need to be valued in accordance with the basis relevant to that particular class of asset.</i> ' Assets under construction should be revalued at the point they are brought into operation	The current professional view of the Council's valuers is that a valuation within five years is adequate, but this will now be reviewed on an annual basis.	Director of Community Services 31 December 2008
		Final review of the accounts to identify any narrative amendments		
3	● (three)	The accounts were comprehensive and commendably there were no audit adjustments to the figures. However there were a number of narrative amendments required in the accounts which were approved by Members of the Audit and Performance Review Panel on 10 June 2008. To improve the overall presentation of the accounts, we suggest that the accounts are reviewed by another officer so that any minor narrative amendments are picked up prior to audit.	Agreed	Chief Accountant 31 May 2009
		Improving the year end estimates of imprest account balance held by schools		
4	● (three)	The year end balances held by schools are based on estimates as schools can't always produce a year-end return as the year end clashes with school holidays. However there is a risk that income and expenditure may be overstated, albeit not a material amount in terms of the Council's overall income and expenditure. We suggest that imprest account reconciliations are produced after the year end so that more accurate figures of schools' imprest account balances may be included in the Council's financial statements.	Agreed	Chief Accountant 31 May 2009

Appendix 5: Prior year recommendations

This appendix summarises the progress made to implement the recommendations we identified in our previous reports. We have given each one a risk rating as explained in Appendix 4.

Year	Number of recommendations that were:		
	Included in original report	Implemented in year or superseded	Remain outstanding (re-iterated below)
2007/08 Interim	1	1	0
2006/07 Final	1	0	1*
Total	2	1	1

* This point related to the review of the narrative included within the accounts, it has been re-iterated as recommendation 3 in Appendix 4 of this report

Appendix 6: Audit reports

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

Report	Date issued
2007/08 Audit Plan	31 May 2007
2007 Use of Resources Report	11 February 2008
2007 Data Quality Report	11 February 2008
2007/08 Interim report	10 June 2008
2007/08 Audit Memorandum – Report to those charged with governance	10 September 2008

Appendix 7: Declaration of independence and objectivity

Declaration of Independence and Objectivity 2007/08

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

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

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

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 (continued)

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 Royal Borough of Windsor and Maidenhead Council for the financial year ending 31 March 2008, we confirm that there were no relationships between KPMG LLP and the Royal Borough of Windsor and Maidenhead 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 8: Draft management representation letter

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 Council, the following representations given to you in connection with your audit of the financial statements for Royal Borough of Windsor and Maidenhead Council for the year ended 31 March 2008.

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 Royal Borough of Windsor and Maidenhead Council has been properly reflected and recorded in the accounting records in accordance with agreements, including side agreements, amendments and oral agreements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

We confirm that we have disclosed all material related party transactions relevant to the Council 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 Council 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 2008.

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

We confirm that we:

- understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements or omissions of amount or disclosures in financial statements to deceive financial statement users. Misstatements resulting from misappropriation of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation;
- are responsible for the design and implementation of internal control to prevent and detect fraud and error;
- have disclosed to you our knowledge of fraud or suspected fraud affecting the Council 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 Council'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.

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 Council where relevant to the fair value measurements or disclosures.

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

- there is no significant pending or threatened litigation, other than that already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.
- Finally, no additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements, over and above those events already disclosed.

This letter was tabled at the meeting of the Audit and Performance Review Panel on 10 September 2008.

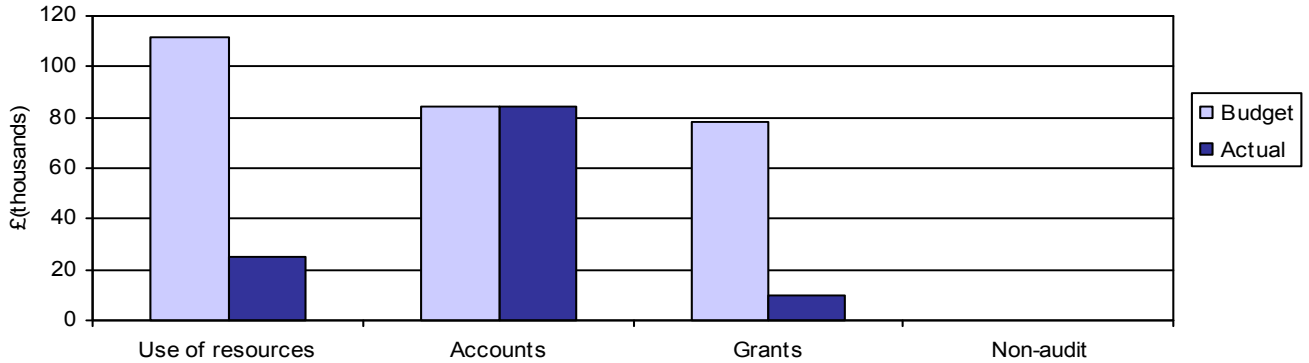
Yours faithfully

Andrew Brooker, Head of Finance on behalf of the Royal Borough of Windsor and Maidenhead

Appendix 9: Audit Fee

To make sure that there is openness between us and the Audit and Performance Review Panel about the extent of our fee relationship with you, we have summarised below the out-turn against the 2007/08 agreed external audit fee:

External audit fee for 2007/08



Use of Resources: We have started the fieldwork for our 2008 Use of Resources assessment. Findings from this work will be discussed with officers and members in November 2008 and the final scores published in early December following the Audit Commission’s national moderation process.

Accounts: As discussed in this report, our work on the Council’s Statement of Accounts is complete.

Grants: Work remains outstanding on a number of grants which have an audit deadline of the end of December 2008.

Non-audit: We have not carried out any non-audit work.