



INFRASTRUCTURE,
GOVERNMENT AND HEALTHCARE

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

**Runnymede
Borough Council**

26 August 2009

AUDIT

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Thomas who is the engagement lead to the Authority, 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.

Executive summary

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. We report to those charged with governance (in this case the Corporate Management Committee.) at the time you are considering the financial statements. We are also required to comply with International Standards 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 2009. It has been prepared for presentation to the Corporate Management Committee on 3 September 2009.

This report does not repeat matters we have previously communicated to you. Once we have finalised our opinions and conclusions we will prepare our Annual Audit and Inspection Letter to close our audit. We will also issue our Annual External Audit Report, which will summarise the outcomes of our work this year.

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.

The new use of resources framework assesses local authorities against three themes: managing finances, governing the business and managing resources. We have carried out our work on this area and initial scores are currently undergoing National Quality Assurance and we will report on these subsequently in a separate report.

Based on our work we anticipate issuing an unqualified Value for Money Conclusion ahead of the 30 September deadline. Our proposed value for money conclusion is set out in Appendix 1.

Financial statements

The Authority 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 now substantially completed the audit in line with the deadline. Upon receiving your management representations letter we will issue an unqualified audit opinion on the Accounts for the year ended 31 March 2009. We have also provided you with a review of the accounts production process and how this can be improved in the future. We will also report that the wording of your Annual Statement of Governance accords with our understanding.

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

Status of the audit

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

We require a signed management representation letter, and have provided a draft version as Appendix 7.

Declaration of independence and objectivity

In relation to the audit of the financial statements of Runnymede Borough Council for the financial year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and the Authority, 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 6 in accordance with ISA 260.

Executive summary (cont'd)

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 financial statements.

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

Fees

Our fee for the audit is £77,800. This has been contained within the totals agreed with you in our audit plan. We have also provided tax advice during the year.

Acknowledgements

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

Financial statements

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 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.

Introduction

The tasks we perform in our review of your financial

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

This report focuses on the results of our work control evaluation, substantive testing and completion.

Control evaluation

As part of our audit, we have assessed the effectiveness of your controls relevant to financial reporting. Where appropriate, we have made use of the work of your internal auditors to avoid duplication. As a result of this work, we have raised three recommendations, which are detailed in Appendix 4. We have not re-raised recommendations identified by Internal Audit. One of these recommendations is considered high priority relating to compliance with the Authority's treasury management policy.

Our audit work identified that an investment of £1m in the Ipswich Building Society was not in line with the Authority's treasury management policy, as a result of the building society not being on the approved counter party list due to its total assets of £423m being below the Authority's minimum threshold of £500m. The investment had been rolled over for an additional two year term in September 2008 without confirming that the building society was still on the approved counter party list.

Financial Statements (cont'd)

Substantive testing – accounts production and audit process

As part of our use of resources assessment we assess the Authority's process for preparing the accounts and its support for an efficient audit. We considered these against three criteria:

Element	Commentary
Completeness of draft accounts	We received a complete set of draft Accounts on 21 June 2009. The Accounts contained all primary statements and supporting notes, and were accompanied by a Financial Review and Annual Governance Statement. The draft Accounts had no significant omissions, although have been subject to a number of minor presentational adjustments throughout the course of the audit.
Quality of supporting working papers	We received all the supporting documentation and work papers requested ahead of our audit visit. The working papers provided were of a high quality.
Response to audit queries	Staff have been quick to respond to audit queries and we had no issues with availability of key staff throughout the audit period.

We have not raised any recommendations in relation to the accounts production process.

Substantive Testing – critical accounting matters

We have detailed below the critical accounting matters 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 of judgement	Description of issue	Resolution of issue
Valuation of the former Civic Centre site	<p>During the year the Authority moved into its new Civic Centre premises. As a result the old offices have been demolished.</p> <p>The land was valued at £10.08m by the Authority's internal Valuer as at 1 April 2008. This represents an upwards revaluation of £3.8m compared to the prior year where the site was valued at value in use.</p> <p>No subsequent impairment has been accounted for in the period to the 31 March 2009.</p> <p>There has been a significant decline in the property market over the last year with the Gerald Eve LLP* report identifying that the value of land residential land has fallen 30% in the South of England.</p> <p>Based on this our expectation would be that the land would have been impaired since its valuation on 1 April 2008.</p> <p><i>* Gerald Eve LLP were appointed by the Audit Commission on 12 March 2009 to provide advice which would inform auditors on expected movements in the value of tangible assets over the period 31 March 2008 to 31 March 2009.</i></p>	<p>We are seeking a specific representation from the Authority and those charged with governance that they have assured themselves that the valuation of the site at £10.08 is appropriate and that the value of the site as recorded in the Accounts is not overstated despite the fall in property prices over the last year</p>
Provisions	<p>This year the Authority has increased its provision for doubtful debts by £502k, to £1.6m, reflecting the increased value of outstanding debtors at 31 March 2009, as compared to last year. The Authority's provision policy of providing fully for debts more than a year old and for 75% of debts over 6 months is consistent with the prior year.</p> <p>In 2008-09 you have provided for 15% of your total year-end debt. Last year you provided for 22%. However, £3.1m of the debt at 31 March was with Surrey Police, relating to their share of the new Civic Centre. This is considered very unlikely to be unrecoverable. When this portion of the debt is excluded, the Authority has provided for 21% of the remaining balance, which is a comparable level of provision to last year.</p>	<p>We have reviewed the provision calculations and are satisfied that the provision for doubtful debts is based on realistic assumptions and that is sufficiently prudent.</p>

Financial Statements (cont'd)

Substantive Testing – critical accounting matters (cont'd)

Area of judgement	Description of issue	Resolution of issue
Accounting for the lease of space in the new Civic Centre to Surrey Police	<p>The Authority entered into an agreement with Surrey Police to lease them part of the new civic centre for 125 years for a pepper-corn rent from May 2008.</p> <p>In addition the Police will pay a lease premium which will be settled once the Police have sold their former site, with the value of this lease premium being equal to the market value of the part of the civic centre occupied by the Police, valued at £3.1 m (with a carrying value of £2.4) The date of settlement is expected to be within 18 months of the year end.</p> <p>The Authority has treated this transaction as a disposal in the year and have booked a debtor of £3.1m, based on an estimate of the value of area leased and recognised a profit of £700k in the current year.</p> <p>As the Police have not yet settled the lease premium the substance of the transaction is that the Authority is effectively financing the Police. Accounting standards in this case require that the finance element is separated out and an element of the profit is recognised as interest receivable in each of the years financing occurs.</p>	<p>We have recalculated this transaction based on the following assumptions:</p> <ul style="list-style-type: none"> ▪ The lease premium is settled in 18 months; and ▪ the prevailing rate of interest is equal to that of the PWLB. <p>Based on these assumptions the interest element of the transaction for 2008/09 is £30K. This is below our level to raise an audit difference for and so no adjustment has been raised.</p>

Substantive testing – adjustments to the accounts

We have identified one adjustment to the accounts relating to the capitalisation of adjudication costs of £216K which has not been adjusted by the Authority. We have also identified a number of minor presentational amendments, all of which have been processed by management.

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

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 financial statements.

We have raised a number of minor clarification and presentational points on the Annual Governance statement.

Completion – 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 Runnymede Borough Authority for the year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and Runnymede Borough Authority, 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 6 in accordance with ISA 260.

Financial Statements (cont'd)

Completion – 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 the draft representation letter in Appendix 7 and have provided a draft to the Director of Finance. 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 accounts in light of the current macro-economic climate and that, where any such impairment has been identified, it is reflected accordingly in the accounts. 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. In addition we are seeking a representation that management have considered the value of the old civic centre is being held at in the Accounts and are satisfied that this value is not overstated

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

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, Runnymede Borough Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Neil Thomas

Appointed Auditor

for and on behalf of KPMG LLP

Chartered Accountants

Statutory Auditor

1 Canada Square, London E14 5AG

30 September 2009

Appendix 2: Proposed audit report

Independent auditors' report to the Members of Runnymede Borough Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Runnymede Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Runnymede Borough 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 Runnymede Borough 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 Runnymede Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditors

The Director of Finance's responsibilities for preparing the financial statements 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 for the Statement of Accounts.

Our responsibility is to audit the accounting statements 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 accounting statements and related notes present 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 financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements 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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements 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 accounting statements 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 accounting statements and related notes.

Appendix 2: Proposed audit report (cont'd)

Opinion

In our opinion the accounting statements and related notes present 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 accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Thomas

Appointed Auditor

for and on behalf of KPMG LLP

Chartered Accountants

Statutory Auditor

1 Canada Square, London E14 5AG

3 September 2009

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 Standards and 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 Authority for the year ended 31 March 2009.

Uncorrected audit differences

Detailed below are the audit differences identified by our audit of the financial statements that have an effect on your reported financial position.

Impact		Basis of audit difference
Income and expenditure	Balance sheet	
(216,000)	(216,000)	The Authority has capitalised costs for the adjudication of a dispute with a contractor over construction costs of your new civic centre. Under FRS 15, the accounting standard governing tangible fixed assets, these costs should not be included within the value of a fixed asset. Instead they should be written off as expenditure within the year.

Corrected audit differences

There are no corrected audit differences

Presentational issues

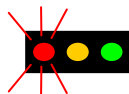
We identified a number of minor presentational adjustments all of which have been corrected by management. These have not been reported here but can be made available to the Committee if required.

Appendix 4: Recommendations

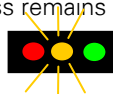
This appendix summarises our recommendations identified through our audit work. We have given each one a risk rating (as explained below) and agreed with management what action they will take.

Priority rating for performance improvement observations raised

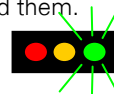
Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.



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.



Number	Risk	Issue and recommendation	Management response	Officer and due date
1	● (one)	<p>Compliance with treasury management policy</p> <p>We identified an investment with the Ipswich Building Society which was not on the Authority's approved counterparty list.</p> <p>The Authority should ensure that all investment proposals are checked against the Treasury Management Strategy, and are reviewed before funds are placed.</p>	<p>Agreed.</p> <p>The credit worthiness of Ipswich Building Society was checked with our treasury consultants at the time of the investment. However, the check against the total net asset limits for the Building Society was not carried out. We have amended our internal investment record to require staff to confirm that such checks are always made</p>	<p>Assistant Director of Finance, Completed.</p>
2	● (two)	<p>Availability of counter-fraud information</p> <p>We found that information on your counter-fraud procedures was not easily available on your intranet. For example, the Fraud section in your alphabetical directory focuses exclusively on benefit fraud. It is important that staff are aware of the facilities and support that are available if they should have concerns, or they may be discouraged from reporting them.</p> <p>We recommend that the intranet is updated to make it easier for staff to find counter-fraud information, such as whistle-blowing procedures.</p>	<p>Agreed.</p> <p>Further entries have been included in the alphabetical directory with hyper-links to relevant documents.</p>	<p>Chief Internal Auditor. Completed.</p>
3	● (three)	<p>Reconciliation of receipts to debtor accounts</p> <p>Our controls testing of reconciliation accounts identified that the December reconciliation between the cash and debtors ledger contained a small unexplained difference of approximately £4k. We note that this has now been resolved, and found to be a typographical error in the reconciliation process.</p> <p>The Authority should ensure that differences are promptly investigated and explained.</p>	<p>Agreed.</p> <p>We take reconciliations seriously and the difference was identified and resolved.</p>	<p>Assistant Director of Finance (Revenue and Benefits). Completed.</p>

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 3.

Year	Number of recommendations that were:		
	Included in original report	Implemented in year or superseded	Remain outstanding (re-iterated below)
2007/08 Final	3	2	1

No.	Risk	Issue and recommendation	Management response	Officer and due date	Status at 7 August 2009
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Name of prior report: Audit Memorandum – Report to those charged with governance

1	● (two)	<p>Compliance with the Authority’s investment policy</p> <p>The Authority's Annual Investment Policy states <i>'for short term investments, banks must hold a minimum short term credit rating of F1 and a combined individual and legal rating of no less than B/C 4 at the time the investment is arranged'</i>. During our review of investments held at the balance sheet date we noted that an investment of £1m was made with a counterparty with an individual credit rating of C. This represents non-compliance with investment strategy, and a risk of the Authority entering investments into portfolio with a weak credit rating.</p> <p>Officers should ensure all officers are aware of the requirements outlined in the Investment policy and should ensure these are complied with.</p>	Accepted. Our list of approved counterparties has been amended to remove institutions with a legal rating of C.	Assistant Director of Finance Implemented with immediate effect.	Recommendation was implemented immediately, but we have raised a new observation regarding compliance with the investment policy this year, in Appendix 3.
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Appendix 6: 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 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 Standards and Audit Committee.

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

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 6: Declaration of independence and objectivity (cont'd)

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 Runnymede Borough Council for the financial year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and the Runnymede Borough 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 7: 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 Authority, the following representations given to you in connection with your audit of the financial statements for Runnymede Borough 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 Runnymede Borough 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 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 2009.

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

We confirm that we:

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

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.

Appendix 7: Draft management representation letter (cont'd)

With reference to the specific issues on which you have requested assurances from Members, 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 accounts in light of the current macro economic climate and that, where any such impairment has been identified, it is reflected accordingly in the accounts. 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; and
- In particular we confirm that we have considered the value that the site of the Old Civic Centre is recorded in the Financial Statements and are satisfied that its value is not overstated and that an impairment of its value since 1 April 2008 is not necessary.

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 Corporate Management Committee on 3 September 2009.

Yours faithfully

On behalf of Runnymede Borough Council

Appendix 8: Audit Fee

To make sure that there is openness between us and your Audit Committee about the extent of our fee relationship with you, we have summarised below the out-turn against the 2008-09 agreed external audit fee:

External audit fee for 2008-09



We have not yet completed our work on the certification of claims and returns. Our 'actual' figure above is an estimate to completion.