

TITLE	Audit Commission Annual Governance Report 2011/12
FOR CONSIDERATION BY	Audit Committee on 26 September 2012
WARD	None Specific
STRATEGIC DIRECTOR	Muir Laurie, Director of Business Assurance & Democratic Services

OUTCOME / BENEFITS TO THE COMMUNITY

This report summarises the findings from the 2011/12 external audit which is now substantially complete. It includes the messages arising from the Audit Commission's external audit review of Wokingham Borough Council's financial statements. It also details results of the work the Audit Commission has undertaken to assess the Council's arrangements to secure value for money in its use of resources.

RECOMMENDATION

The Audit Committee is asked to:

- 1) note the Audit Commission's Annual Governance Report 2011/12 (attached);
- 2) approve the letter of representation (Appendix 3) on behalf of the Authority before the District Auditor issues his opinion and conclusion; and
- 3) agree the Council's response contained within the proposed action plan (Appendix 5).

SUMMARY OF REPORT

The report provides assurance on the financial statements and the Audit Commission's value for money judgment. The report details the adjustments to the financial statements included in this report (Appendix 2), includes the letter of representation (Appendix 3); and the council's response to the proposed action plan (Appendix 5).

The District Auditor expects to conclude that the council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Details of the Audit Fees for the audit are detailed at page 13.

Background

The report has been discussed with the Chief Executive (Interim) and the Strategic Director of Resources (Section 151 Officer). The report enables the District Auditor to discharge his duty to provide an opinion on the council's financial statements.

Analysis of Issues

The Audit Committee should consider the findings of the report and the Council's planned response and actions and decide if these are adequate.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

Not applicable.

Cross-Council Implications (how does this decision impact on other Council services and priorities?)

Not applicable.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

None.

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Date 11 September 2012	Version No. 2

Annual governance report

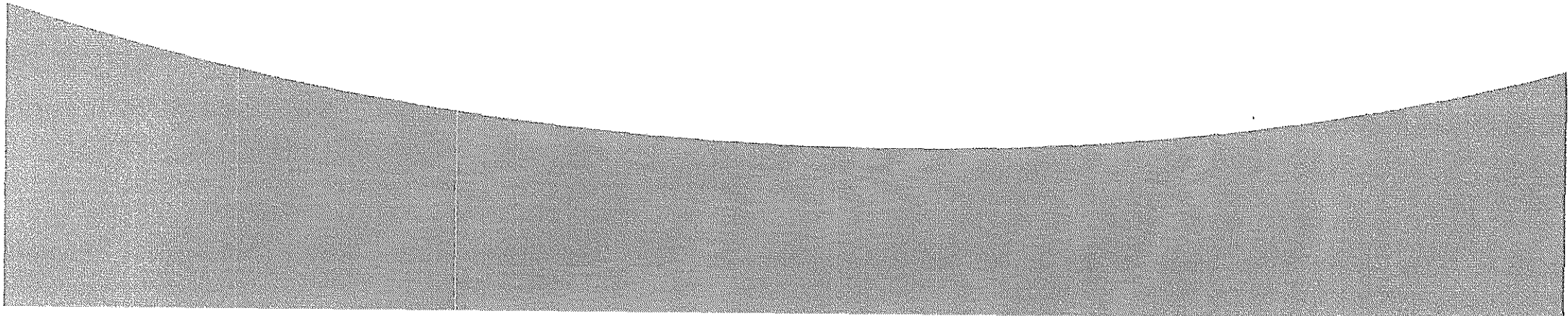
Wokingham Borough Council

Audit 2011/12

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Key messages

This report summarises the findings from my 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at the date of this report, 13 September 2012 my audit of your financial statements is substantially complete. The outstanding matters include the following.

- Receipt, and my review, of information requested from the auditors of Optalis.
- Receipt of final financial statements for Optalis and Wokingham Enterprises Ltd.
- Receipt, and my review, of your final, amended financial statements.
- Completion of my final management review and quality review procedures.

I will not be able to complete my audit by the deadline of 30 September 2012 until these issues are concluded, particularly the information relating to Optalis and WEL.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

You have made good progress in identifying and delivering savings as part of the Transformation Programme. In common with other Councils, the main risk to your financial resilience is the challenge of achieving a balanced budget over the medium term with reduced funding.

I expect to conclude that there are no matters arising from my VFM work that I need to report.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) – Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendix 2); and
- approve the letter of representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion;

Financial statements

Your financial statements and annual governance statement are important means by which you account for your stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Corrected errors

All errors and misstatements identified by my audit have been corrected by management in the final version of the financial statements. Only one of the errors identified was material in nature.

The draft financial statements included an impairment of the buildings on the Waingels School site which were demolished as part of the site's redevelopment. However as the buildings were demolished in the first two years of the project, the events that led to the £18.2 million impairment occurred in previous account periods and should have been accounted for at that time. Given the value of the impairment we asked management to treat this item as a prior period adjustment and restate the financial statements accordingly.

Further details regarding this and the other corrected errors are included in appendix 2 to this report.

Significant risks and my findings

I reported to you in my January Audit Plan the significant and specific risks that I identified relevant to my audit of your financial statements. In table 1 I report to you my findings against each of these risks.

Table 1: Risks and findings

Risk		Finding
<p>Council controlled companies</p> <p>In 2011/12 two additional council controlled companies have been created, Optalis and Wokingham Homes Limited (WHL). Whilst WHL is relatively dormant at the current time, Optalis has been trading since June 2011, and will have had a significant amount of activity in the period to 31 March 2012.</p> <p>The creation of the two new companies in 2010/11 increases the complexity of the group reporting process and therefore increases the risk of material misstatement occurring as part of the consolidation process.</p> <p>As at December 2012 external auditors have not been appointed by for the 2011/12 year at any of your subsidiary companies. It is important that as the parent company you take a lead on financial reporting and governance issues. This includes ensuring the each company as appropriate external audit arrangements in place in a timely manner.</p>		<p>Your group accounting arrangements were formalised this year:</p> <ul style="list-style-type: none"> ■ you issued group accounting instructions; and ■ provided each subsidiary with a standard consolidation schedule. <p>My audit identified one error on consolidation; the Group Comprehensive Income and Expenditure Statement did not include £6,170k relating to Optalis in the 'Surplus/Deficit on the provision of services' line.</p> <p>External audits have been carried out at both Optalis and Wokingham Enterprises Ltd (WEL). This year and I plan to place reliance on the auditor at Optalis. However, at the time of writing this report I have yet to receive confirmation of audit closure from the auditor in question. I am also waiting to see copies of the final audited financial statements for both Optalis and WEL.</p> <p>Until I have received this information I can not complete my work on the group financial statements and cannot therefore issue an opinion on the Council's financial statements as a whole.</p>
<p>Housing finance reform</p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This change will require a one-off settlement payment to central government on or before 28 March 2012. This payment will significantly increase the debt on your Housing Revenue Account.</p> <p>Due to the complexity, magnitude and timing of the transactions involved there is risk that the financial statements will be materially misstated.</p>		<p>The draft financial statements correctly accounted for the transactions relating to housing finance reform.</p>

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Risk		Finding
<p>Valuation of property assets</p> <p>In both the 2009/10 and 2010/11 Annual Governance Report my predecessor raised concerns about the quality of evidence provided to support asset valuations and the reasonableness of some of the assumptions made in valuing assets.</p> <p>He also recommended that formal written instructions are agreed with the Valuer as part of any valuation process so that the instructions accurately reflect the requirements of accounting standards as interpreted through your accounting policies.</p> <p>The risk of error and misstatement appearing in the financial statements will increase if weaknesses continue in your arrangements for the valuation of assets.</p>		<p>The valuation process for 2011/12 shows an improvement from previous years. The finance team agreed formal written instructions with the Valuer which helped to reduce the risk that material misstatement will arise as a result of the valuation of property assets.</p> <p>My audit identified some errors in relation to asset valuations this year and these are summarised in table 2 and appendix 2 of this report.</p>

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

I have identified no weaknesses in internal control during my audit that I wish to bring to your attention.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices.

- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

I have following matters I wish to bring to your attention.

Table 2: Other matters

Issue	Finding
Note 4 – Assumptions made about the future and other major sources of estimation uncertainty	This note to the accounts sets out how you plan to deal with the component accounting requirements of International Accounting Standard 16. I have reviewed the approach taken and am satisfied that it meets the requirements of the code. The componentisation you have carried out this year has resulted in some components (for example windows) now having a greater useful economic life (UEL) than the buildings in which they sit. This highlights the possibility that the UEL of the buildings should also have been reassessed this year. If the UEL of buildings was amended to match that of the component the potential impact on the accounts this year would be an over depreciation charge of £486k. I do not consider this to have a material impact on the financial statements; however you may want to review the UEL of the buildings in question in the next financial year.
Accounting Policy 3.12. Government Grants and Contributions	Your accounting policy for grants and contributions meets the requirements of the Code in that grants are recognised in the accounts when conditions relating to their use are met. My testing has identified a number of grants where your accounting policy was not correctly applied, these are included in appendix 2 of the report. This was particularly the case where the accounting for grant income was undertaken within services rather than by corporate finance. You should ensure that your accounting policy and the requirements of the Code are understood by all staff who account for grant income.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 13 September I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 28 September.

Value for money

I am required to conclude whether you put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my January Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified. Business Assurance has carried work in the risk areas and I have sought to rely on their work.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in appendix 1.

Table 3: Value for money conclusion criteria and my findings

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>		<p>My review of the 2012/13 Medium Term Financial Plan (MTFP) found it to be robust, with a clear consideration of the future challenges and risks to your financial resilience.</p> <p>The MTFP includes clear efficiency savings and financial plans for financial periods up to 2014/15, building on the savings that have been achieved through the Transformation programme.</p> <p>Your planned future use of reserves identified in the MTFP do not raise any concerns in respect of your management of financial risks and your ability to continue to operate for the foreseeable future.</p> <p>In year you achieved an under spend of £0.8 million (0.67 per cent) against your revenue budget, the approved revenue budget for 2011/12 was for net expenditure of</p>

Criteria	Risk	Findings
	<p>The Transformation Programme may not meet the projected savings and outcomes. The successful delivery of the programme is key to your future financial resilience.</p>	<p>£118.7 million, the actual outturn was £117.9 million.</p> <p>Your outturn against planned capital expenditure was £26.7 million, an under spend of £7.4 million (21.7 per cent). The under spend has been due to delays to some projects which you aim to complete in 2012/13.</p> <p>My review of your 2012/13 MTFP, your outturn against the 2011/12 Revenue and Capital budgets and your level of reserves do not indicate any significant risk to your ability to secure financial reliance.</p> <p>Business Assurance (BA) has undertaken a review to examine the savings made by the Transformation Programme (TP) and found that the reported savings were adequately supported.</p> <p>In 2011/12 you achieved gross savings of £7.240 million against a planned savings target of £7.030 million, – an overachievement of £210,000.</p> <p>A series of projects have been produced to support the 2012/13 TP savings target of £4.504 million. However cumulative TP savings of £2.570m for 2013/14 and £5.080 million for 2014/15 had not been identified at the time of the BA report.</p> <p>Work is underway to address this as part of service and financial planning for 2013/14 and beyond.</p>
	<p>The town centre redevelopment is being funded by the Council at a time of economic uncertainty. There is a risk that failure to deliver the anticipated returns will have an impact on your financial resilience.</p>	<p>BA has recently completed a review of the arrangements for project management, governance and financial management of the town centre redevelopment. This notes recent improvement made to the governance structure and financial management of the project.</p> <p>Recommendations are currently being discussed with officers.</p>

Criteria	Risk	Findings
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>At present the progress of the Transformation Programme does not take place in a public meeting. There is a risk that existing reporting lines do not enable effective scrutiny of progress by members outside of executive and other interested stakeholders.</p> <hr/> <p>You have entered into a number of new arrangements for the provision of services, for example the council controlled companies and shared service arrangements. These new arrangements will require different governance and performance</p>	<p>You have assured yourself that adequate arrangements are in place to manage the town centre redevelopment. However the programme is at an early stage and the most significant risks to your future financial resilience will occur in future accounting periods. As such they are beyond the scope of my responsibilities for 2011/12 and on this basis I am satisfied that it does not represent a risk to my vfm conclusion for 2011/12.</p> <hr/> <p>BA reported that the detailed business case supporting the TP was presented to Executive Briefing but it was not formally presented in full to the Executive for approval. This aside the financial implications were included in the Medium Term Financial Plan which has been reported to Executive and Council, and to this extent the impact on your service and financial plans were presented in a public meeting.</p> <p>BA has recommended that all significant projects and initiatives contributing to towards savings targets are subject to robust formal monitoring and reporting to the Executive.</p> <p>Once implemented, and alongside the mainstreaming of TP; my view is that the risk as identified in my plan has reduced. On this basis it does not impact on my vfm conclusion this year.</p> <hr/> <p>I have relied on work completed by BA on the governance arrangements for the council controlled companies. They reported reasonable assurance and action has been agreed for most of their recommendations.</p> <p>It will be important that you continue to keep governance arrangements under review as activity within the companies develops.</p>

Criteria	Risk	Findings
	management arrangements than those you already have in place.	

Fees

I reported my planned audit fee in the January Audit Plan.

I will complete the audit within the planned fee.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	232,900	232,900
Claims and returns	43,000	30,000
Non-audit work	-	-
Total	275,900	262,900

The Audit Commission has paid a rebate of £18,600 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £214,300.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WOKINGHAM BOROUGH COUNCIL

Opinion on the financial statements

I have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Wokingham Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director of Resources and auditor

As explained more fully in the Statement of the Strategic Director of Resources Responsibilities, the Strategic Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Wokingham Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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 to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Wokingham Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Stephen Taylor
District Auditor

xx September 2012

Appendix 2 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Property, Plant and Equipment	There has been a significant 3-year capital programme at Waingels School. This involved demolishing existing buildings over the first 2 years of the project. The value of the buildings should have been impaired when they were demolished; however the impairment of the buildings was only recognised in 2011/12 when the project was completed. This is a material error and therefore a Prior Period Adjustment has been made to correct the Opening 2010/11 balance and the Closing 2010/11 balance is required.	Education and Children's Services 9,093.5 (10/11)	Education and Children's Services 18,187 (11/12)	Depreciation 9,093.5 (1 April 10) Depreciation 9,093.5 (10/11)	Depreciation 415
Property, Plant and Equipment	It was identified that three assets had been incorrectly valued when componentisation was applied to the calculation of depreciation. Thames Valley Waterside Centre was over valued by £401,211, with Bulmershe and Embrook Schools being	Cultural & Regulated Services 401	Education & Children's Services 816		

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
	undervalued by £316,335 and £499,344 respectively.				
Group Comprehensive Income and Expenditure Statement	The Group Comprehensive Income and Expenditure Statement did not include amounts relating to Optalis in the 'Surplus/Deficit on the provision of services' line.	Surplus/Deficit on the provision of services 6,170 (transposition error)			
Revenue Grants Receipts in Advance	Grant income should be recognised in the year in which the grant is received, unless there are conditions attached to the grant, which if not met, would require the grant to be repaid. It has been identified that a number of grants received in 2011/12, but not spent in year, with no conditions had been incorrectly accounted for as receipts in advance. The income has been recognised in full in the CIES, and a transfer has been made from the General Fund to a Grant Income Reserve.		Various Cost of Services lines 791	Creditors (Receipts in Advance) 791	Earmarked Reserves 791
Standards Fund	There are no conditions requiring repayment of the standards fund grant, and therefore income should be recognised in the financial year the grant is received. Currently income from this grant is recognised when	Education & Children's Services 493 (10/11)	Education & Children's Services 493 (10/11)		

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
	<p>expenditure is incurred, not when the grant income is received. This treatment is incorrect.</p> <p>The impact on the financial statements was that for 2010/11 there was an understatement of gross expenditure and income between the grant income received and the expenditure in the year. The impact on 2011/12 was that gross expenditure and income was overstated by the difference between the expenditure and income received.</p> <p>There is no impact on net expenditure in both years or on the reserves as the unapplied amounts had been correctly accounted for.</p>	<p>Education & Children's Services</p> <p>1,055 (11/12)</p>	<p>Education & Children's Services</p> <p>1,055 (11/12)</p>		
Minimum Lease Payments	<p>It was identified that the disclosed Minimum Lease Payments has only included the lease payments for years 2-4 in the '2-5 years' category and had included year 5 payments of £680,000 in the 'more than 5' years category. The disclosure has been amended to correctly reflect the actual minimum lease payments for these periods.</p>	-	-	-	-

Appendix 3 – Draft letter of management representation

Wokingham Borough Authority – Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers, of Wokingham Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2012. All representations cover the Council's Accounts and Group Accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Conditional – Comparative financial statements

A restatement of the value of Waingels Schools was made to correct a material misstatement in the prior period financial statements. This affects the comparative information of Property, Plant and Equipment. In addition a restatement of the value of grant income was made to correct a misstatement in the prior period financial statements. This affects the comparative information of grant income in the Comprehensive Income and Expenditure Statement. Written representations previously made in respect of the prior period remain appropriate.

Signed on behalf of Wokingham Borough Council

I confirm that the this letter has been discussed and agreed by the Audit Committee on 26 September 2012

Signed

Name

Position

Date

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Appendix 4 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

