



GOVERNMENT

Report to those  
charged with  
governance

Bury Metropolitan Borough  
Council

15 September 2008

AUDIT

# Content

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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 Adrian Lythgo who is the engagement lead to the Council, telephone 0113 231 3054, email adrian.lythgo@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

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### **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 Committee) 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 Committee on 23 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 in place proper arrangements by reviewing and, where appropriate, examining evidence that is relevant to your corporate performance and financial management arrangements and reporting on them.

Based upon this 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.

On receiving your management representations letter we will issue an unqualified audit opinion on 26 September 2008. 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 of the Council.

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 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.

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

## Executive summary (continued)

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### Status of the audit

At the date of this report our audit work is substantially complete subject to completion of the following areas:

- 1 Review of information from the audit of the pensions fund, provided by the pension fund auditors;
- 1 Finalising the fair value of the PWLB loans disclosed in the notes to the core financial statements; and
- 1 Final checks of the financial statements for rounding differences and other presentational issues.

We now require a signed management representation letter, and have provided a draft of this in Appendix 9.

### Declaration of independence and objectivity

In relation to the audit of the financial statements of Bury Metropolitan Borough Council for the financial year ending 31 March 2008, we confirm that there were no relationships between KPMG LLP and the Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 7 in accordance with ISA 260.

### Fees

Our fee for the audit is £280,000. 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

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**We are required to satisfy ourselves that you have proper arrangements in place to secure economy, efficiency and effectiveness in your use of resources. We reach this conclusion by considering the various assessment we make during the year, including the use of resources assessment.**

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

### 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 these work streams, our cumulative audit knowledge and specific work, detailed below.

### UoR assessments

This assessment analyses your performance against the five themes published by the Audit Commission:

- Financial Reporting;
- Financial Management;
- Financial Standing;
- Internal Control; and
- Value for Money.

The scoring of the themes ranges from one to four, where four is performing strongly and one is inadequate performance. In 2007 the Council achieved an overall score of three indicating that it was performing well across all areas. Our work for the 2008 assessment is underway and our theme assessments will be communicated to you in November 2008. The results of the VFM assessment so far do not indicate that there are any significant issues arising that would prevent us issuing an opinion by 30 September 2008 stating that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### 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. During 2007/08, we identified the following areas for further review:

- Social Needs Transport;
- Service Prioritisation;
- Local Area Agreement;
- Capital projects; and
- Alternative service provision – corporate and transactional services.

The recommendations arising from our work have been separately reported to the Council and did not suggest issues with an adverse implication for our VFM conclusion. The recommendations were identified to help improve the Council's arrangements and performance. The higher risk recommendations (Priority one recommendations) from the above reviews have been re-produced in Appendix 6.

## Accounts and Annual Statement of Governance

We have now 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 on 26 September 2008. 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.

### 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
<b>1. Business Understanding:</b> review your operations.	✓	✓	-
<b>2. Controls:</b> assess the control framework.	✓	-	-
<b>3. Prepared by client list:</b> issue our prepared by client request.	✓	-	-
<b>4. Accounting standards:</b> agree the impact of any new accounting standards.	✓	✓	-
<b>5. Accounts Production:</b> review the accounts production process.	✓	✓	✓
<b>6. Testing:</b> test and confirm material or significant balances and disclosures.	-	✓	-
<b>7. Representations &amp; opinions :</b> 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 memorandum to management. No significant issues were identified during the interim audit. 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	The accounts were provided for audit on 25 June 2008, this was in advance of the agreed timescales. Our audit work commenced on 7 July 2008. The accounts presented for audit were complete, with only minor presentational amendments being made. There has subsequently been one adjustment to the face of the income and expenditure account, which has decreased the deficit. There has also been two classification adjustments to the balance sheet. Further details can be found in Appendix 3.
Quality of supporting working papers	In a proactive move to improve the effectiveness of the closedown and audit process the Council agreed to provide working papers in an electronic format, with hyper links to further supporting working papers. There were initially some teething problems in accessing some of the working papers, however, management quickly resolved this when it was brought to their attention. This represents an improvement in the quality of working papers we received in comparison to 2006/07.  The working papers were, in the main, clearly referenced to the 'Prepared by Client' list. The exceptions to this were in relation to debtors and creditors listings, where the referencing was not always clear. We will work with management to make improvements for 2008/09.
Response to audit queries	Audit requests were dealt with promptly and efficiently. This has helped to ensure that the audit ran smoothly and has been completed on time.

We have raised one recommendation which is included within Appendix 4. Recommendations not yet implemented from earlier years are detailed at Appendix 5.

## Accounts and Annual Statement of Governance (continued)

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### Testing

In accordance with ISA 260 we are required to communicate any uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities. There was no uncorrected audit differences and there was three corrected audit differences.

We have provided a summary of both the corrected and uncorrected 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 Director of Finance and E-Government on 26 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;

- 1 material weaknesses in internal control identified during the audit;
- 1 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
- 1 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

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### 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, Bury Metropolitan Borough 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  
Manchester  
26 September 2008



## Appendix 2: Proposed audit report

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### Independent auditor's report to the Members of Bury Metropolitan Borough Council

#### Opinion on the statement of accounts

We have audited the Authority and Group statement of accounts and related notes of Bury Metropolitan Borough Council, for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group statement of accounts comprises the Explanatory Foreword, Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The statement of accounts has been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

#### Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the statement of 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 statement of accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority and Group 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:

- 1 the financial position of the Authority and its income and expenditure for the year; and
- 1 the financial position of the Group 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 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.

#### 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 and Group statement of 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 and Group statement of accounts 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 me with sufficient evidence to give reasonable assurance that the Authority and Group statement of 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 and Group statement of accounts and related notes.

## Appendix 2: Proposed audit report (continued)

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### Opinion

In our opinion:

The Authority 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 Group 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.

KPMG LLP

Chartered Accountants

Manchester

26 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 Bury Metropolitan Borough Council for the year ended 31 March 2008.

### Uncorrected audit differences

There are no uncorrected audit differences.

Impact (£000s)		Basis of audit difference
Income and expenditure	Balance sheet	

### Corrected audit differences

Detailed below are the audit differences that have been corrected. Figures in brackets are credits.

Impact (£000s)		Basis of audit difference
Income and expenditure	Balance sheet	
-	3,575 Cash 4,303 Creditors (7,878) Debtors	The Council's cash system (ICON) creates a timing difference in posting when cash is paid out and received. As a result the Council created journals to record expenditure and income in the correct year. However, instead of recording the expenditure as paid and income as received in the accounts, it was recorded as creditors and debtors in the accounts. Therefore an adjustment was required to cash, creditors and debtors, as the expenses had been paid and income had been received as at 31 March 2008.
(78)	78	The income and expenditure account included an estimate for housing benefit income. When compared to the actual housing benefit income it was found that the income recorded in the income and expenditure account was understated.
	(726) 726	The balance sheet included internal debtors and creditors between departments. These balances should have been eliminated when the balance sheet was produced. (This was identified through a combination of our work and work by the Council).

## Appendix 3: Audit differences (continued)

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### Statement of Total Recognised Gains and Losses

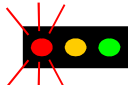

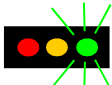
The SORP (Statement of Recommended Practice) states that it does not expect most councils to make entries against the 'other' category in the Statement of Total Gains and Losses (STRGL). The Council's STRGL contains an 'other' category with a balance of £9,931k. However, we have been able to gain assurance from our work on the other core financial statements that this statement is not materially misstated or misleading to the reader of the accounts.

### Judgements

During the course of the year officers of the Council have been reviewing information available to them in relation to equal pay claims in order to come to a judgement on whether to recognise a provision for costs related to these claims. Other councils have started to recognise provisions in relation to these claims in their financial statements. Officers of the Council have confirmed that until claims have been considered by the Employment Tribunal then it is not possible to accurately forecast any potential liability faced by the Council. As a result it is not possible to meet the financial reporting standard requirements to recognise a provision for 2007/08. We have not identified any information to suggest that a provision should be made.

## 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		
<p><b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> 	<p><b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> 	<p><b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> 

Number	Risk	Issue and recommendation	Management response	Officer and due date
<b>Group Accounts – Agreement of Balances</b>				
1	● (three)	<p>During the audit of the group accounts we identified that a formal agreement of balances had not been carried out between the Council and Six Town Housing. This is required to ensure that all intra-group transactions are eliminated for the purposes of consolidation.</p> <p>Whilst we have gained assurance that the balances eliminated are not materially mis-stated, best practice would be to formally agree the balances between the two organisations. This would ensure all timing differences have been identified and that all balances have been appropriately accounted.</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 4.

Year	Number of recommendations that were:		
	Included in original report	Implemented in year or in progress	Remain outstanding (re-iterated below)
2007/08 Interim	2	2	0
2006/07 Final	10	9	1
<b>Total</b>	<b>12</b>	<b>11</b>	<b>1</b>

No.	Risk	Issue and recommendation	Management response	Officer and due date
<b>2006/07 ISA 260 Report to those charged with governance</b>				
<b><i>Sundry bad debt provisions</i></b>				
1	● (two)	<p>In 2005/06 the Authority did not provide any justification for the level of bad debt provision included within the financial statements. Furthermore, our audit work identified that no provisions are included for certain types of debt. The Authority should ensure that a methodology for calculating the bad debt provision is adopted in 2006/07 for all categories of debt and that the calculation is supported by working papers for audit.</p>		
<b><i>Update to recommendation</i></b>				
		<p>During 2007/08 the Authority has undertaken a large amount of work in defining its bad debt policies. The key for 2008/09 is to ensure that the agreed policies are applied to the debtor balances in the accounts.</p>	<p>To be implemented in the 2008/09 Financial Statements.</p>	<p>Principal Accountant 2008/09 Financial Statements</p>

## Appendix 6: Audit reports

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

Report	Date issued
Interim report to management	May 2008
Local Area Agreement	February 2008
Social Needs Transport	April 2008
Service Prioritisation	June 2008

The priority one recommendations from the above reports have been re-produced below.

Number	Issue and recommendation	Management response	Officer and due date
<b>Service Prioritisation</b>			
1	Outcomes and performance targets set out in Priority Investment Reserve (PIR) bid business cases should be SMART and incorporate specific targets that can be measured and milestones to facilitate monitoring. These milestones should then be used at Star Chamber to assess the extent to which investment has been successful in achieving priorities. PIR funding of schemes that demonstrate a failure to achieve outcome and contribute to priorities should be reassessed and associated resource should be considered for redirection to further schemes that better support the Bury Plan's priorities.	Accepted.	Director of Finance and E-Government To be implemented as part of the 2009/10 budget setting process
<b>Service Prioritisation</b>			
2	PIR resource allocated to services should be monitored and reported explicitly at Service Star Chamber level. This will enable officers to identify levels of PIR invested in services and facilitate analysis of outcomes versus spend.	Accepted.	Director of Finance and E- Government Effective from 2008/09 Month 3 Star Chambers
<b>Service Prioritisation</b>			
3	Formal service monitoring of the utilisation of the PIR should be undertaken throughout the financial year. This should assess each PIR scheme on both a financial and outcomes basis against milestones set out in business cases. This should be undertaken both in the year in question and in subsequent years for recurrent funding until the milestones and outcomes are achieved. This will provide assurance that the PIR is contributing to Corporate priorities and will provide a flag where action may be required.	Accepted.	Director of Finance and E- Government Effective immediately
<b>Social Needs Transport</b>			
4	Adult Care Services and Children's Services should agree an approach to the provision of information from the Environment and Development Services department, including financial and operational information, such as the number of miles travelled, number of vehicles used. This agreement should be built into the service level agreement. Children's Services should also build the provision of information into contracts with external suppliers.	Accepted.	A best value review team has been established to review social needs transport within the Council. This team will consider and where appropriate, implement this recommendation through this process.

## Appendix 6: Audit reports (continued)

Number	Issue and recommendation	Management response	Officer and due date
	<b>Social Needs Transport</b>		
5	A formalised agreement, in the form of a service level agreement, between Adult Care Services and Environment and Development Services should be developed and agreed by both parties. This will allow the relationship to be more commercial and would assist Adult Care Services in assessing the service they receive. This should also be done for Children’s Services on a smaller scale.	Accepted.	A best value review team has been established to review social needs transport within the Council. This team will consider and where appropriate, implement this recommendation through this process.
	<b>Social Needs Transport</b>		
6	The Council should consider future planning, such as considering how many service users Children’s Services currently has, which will indicate the number of future Adult Care Service users. The Council also needs to develop an funding strategy in case of withdrawal of the grant funded elements of transport.	Accepted.	A best value review team has been established to review social needs transport within the Council. This team will consider and where appropriate, implement this recommendation through this process.
	<b>Social Needs Transport</b>		
7	The Council should develop an overarching strategy for transport provision. This should set out the Council’s objectives and desired outcomes for the service and the strategy of how this is to be achieved. Departmental service plans should then be developed to take account of this strategy. Responsibility for actions should be assigned to members of staff who are best able to follow the actions through.	Accepted.	A best value review team has been established to review social needs transport within the Council. This team will consider and where appropriate, implement this recommendation through this process.
	<b>Social Needs Transport</b>		
8	Responsibility and accountability for transport arrangements and agreed actions needs to be clearly assigned to ensure that any developed action plans or changes implemented are carried forward and followed through.	Accepted.	A best value review team has been established to review social needs transport within the Council. This team will consider and where appropriate, implement this recommendation through this process.



# Appendix 7: Declaration of independence and objectivity

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### 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:

- 1 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.
- 1 The related safeguards that are in place.
- 1 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 Committee.

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

### General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm’s required independence. KPMG’s policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual (‘the Manual’). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

### **Appendix 7: Declaration of independence and objectivity (continued)**

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KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor Declaration**

In relation to the audit of the financial statements of Bury Metropolitan Borough Council for the financial year ending 31 March 2008, we confirm that there were no relationships between KPMG LLP and the 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

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Dear KPMG LLP,

We understand that auditing standards require you to obtain representations from management on certain matters material to your opinion. Accordingly we confirm to the best of our knowledge and belief, having made appropriate enquiries of other members of the Council, the following representations given to you in connection with your audit of the financial statements for Bury Metropolitan Borough 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 Bury Metropolitan 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 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:

- 1 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;
- 1 are responsible for the design and implementation of internal control to prevent and detect fraud and error;
- 1 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.
- 1 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
- 1 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:

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

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

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- 1 With reference to the specific issues on which you have requested assurances from Members, we confirm that we are not aware of:
- 1 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 Committee on 26 September 2008.

Yours faithfully

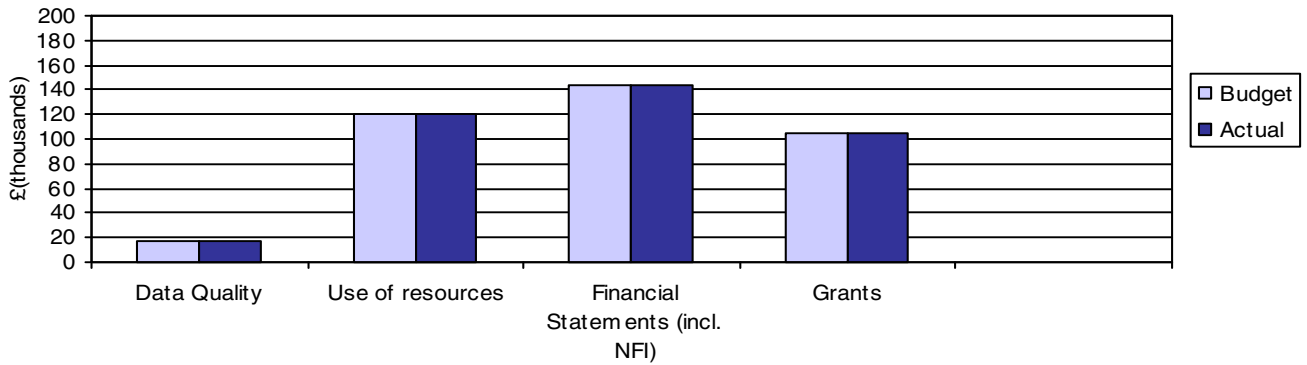
[Name of Executive Director signing letter on behalf of Council]

On behalf of the Council

**Appendix 9: 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 2007/08 agreed external audit fee:

**External audit fee for 2007/08**



The analysis above shows that our audit fee is in line with the totals you have approved for the use of resources and accounts work.

At the moment the actual cost of auditing the grant claims is uncertain as the majority of this work is due to be completed in December 2008. However, we estimate at this stage that the cost will be broadly in line with the budget.