



INFRASTRUCTURE, GOVERNMENT
AND HEALTHCARE

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

Telford & Wrekin Council
September 2009

AUDIT

The contacts at KPMG in connection with this report are:

Mike McDonagh

Partner
KPMG LLP (UK)
Tel: 0121 335 2440
Mobile: 0790 158 0525
michael.a.mcdonagh@kpmg.co.uk

Andy Cardoza

Senior Manager
KPMG LLP (UK)
Tel: 0121 232 3869
Mobile: 0771 186 9957
andrew.cardoza@kpmg.co.uk

Peter Evans

Assistant Manager
KPMG LLP (UK)
Tel: 0121 232 3320
Mobile: 0788 766 1928
peter.evans@kpmg.co.uk

	Page
Executive summary	2
Use of resources	4
Financial statements	6
Appendices	10
1. Proposed use of resources conclusion	
2. Use of resources key findings	
3. Use of resources criteria and link to VFM conclusion	
4. Proposed audit report	
5. Audit differences	
6. Accounts risk areas	
7. Recommendations	
8. Follow up of previous recommendations	
9. Audit reports issued	
10. Declaration of independence and objectivity	
11. Draft management representations letter	
12. Audit fee	

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 Mike McDonagh, who is the engagement partner to the Authority, telephone 0121 335 2440, email michael.a.mcdonagh@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4000, 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 are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

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 and we report to those charged with governance (in this case the Audit Committee) at the time they are considering the financial statements. We are also required to comply with International Standard on Auditing (ISA) 260 which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements. It summarises the key issues identified during our audit of Telford & Wrekin Council's ('the Authority's') financial statements for the year ended 31 March 2009. In addition, this report summarises our assessment of the Authority's arrangements to secure value for money in its use of resources.

This report does not repeat matters we have previously communicated to you. In particular, we draw your attention to our *Interim Audit Report 2008/09*, presented to you on 28 July 2009, which summarised our planning and interim audit work. A summary of all reports we have issued in the year is set out in Appendix 10. Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

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 use of resources framework has been revised by the Audit Commission for 2008/09 and is significantly more challenging than the previous assessment. It assesses local authorities against three themes: managing finances, governing the business and managing resources. The Authority has been assessed overall as performing adequately against these themes.

Based on this, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have assessed the Authority as a score of 2 overall though we have noted areas of good practice, particularly in Internal Control & Risk Management and in Asset Management. The new framework focuses heavily on delivery of outcomes in determining that an Authority 'performs well' (resulting in a score of 3). Telford & Wrekin Council needs to focus its attention on delivering excellent services and achieving its priorities to improve its score in the future.

Our findings are detailed in Section two of this report and our proposed conclusion is set out in Appendix 1.

Financial statements

The Authority is responsible for having in place effective systems of internal control which 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.

Officers have discussed accounting issues with us throughout the year at monthly meetings. Consequently most significant accounting issues and changes to accounting requirements have been addressed prior to the financial statement audit process. This has been reflected in a reduction in the number and magnitude of audit adjustments compared with the previous year.

Our findings are detailed in section three and our proposed opinion on the accounts is presented in Appendix 5.

Status of the audit

At the date of this report our audit of the financial statements is substantially complete subject to completion of our final audit procedures such as whether our audit differences have been actioned and the review of any post balance sheet events that may affect the financial statements for the year ended 31 March 2009 up to the date we sign our audit opinion. We require a signed management representation letter, and have provided a draft version as Appendix 12.

Executive summary (continued)

Declaration of independence and objectivity

In relation to the audit of Telford & Wrekin Council for the year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and Telford & Wrekin Council, its directors and senior management and its affiliates that 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 11 in accordance with ISA 260.

Certificate

We are required to certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice. If there are any circumstances under which we cannot issue a certificate, then we are required to report them to you and to issue a draft opinion on the financial statements.

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

Fees

Our total fee for carrying out our work in 2008/09 was £221,100.

Acknowledgements

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

Use of resources

We are required to conclude whether the Authority has adequate arrangements to ensure effective use of its resources. This assessment draws on the new use of resources assessment framework introduced by the Audit Commission.

The new framework assesses local authorities against three themes: managing finances, governing the business and managing resources and the Authority has been assessed as performing adequately against these themes

Based on this, we concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Introduction

In our *Annual Audit and Inspection Plan 2008/09* we outlined the work streams which we complete to assess the adequacy of your arrangements which ensure that your resources are deployed effectively. Our conclusion is based on these work streams, our cumulative audit knowledge and any specific local risk work, as detailed below.

The new use of resources assessment

The Audit Commission introduced a new assessment this year. This assesses how well organisations are delivering value for money and better and providing sustainable outcomes for local people. This new assessment forms part of the Comprehensive Area Assessment (CAA) framework. It defines use of resources in a broader way than previously, embracing the use of natural, physical and human resources. It also places a new emphasis on commissioning services for local people. This is wider than the previous assessment which focused on systems and processes and is a significantly harder test and outcome focussed. As a consequence it is not possible to make direct comparisons with the previous year's assessment.

The assessment is based on three Key Lines of Enquiry (KLOEs) themes which cover:

- **Managing finances** - focusing on sound and strategic financial management;
- **Governing the business** - focusing on strategic commissioning and good governance; and
- **Managing resources** - focusing on the effective management of natural resources, assets and people.

The scoring of the themes ranges from one (performing inadequately) to four (performing exceptionally).

Findings

We have assessed the Authority as an overall score of level 2 which means the Authority is performing adequately.

The table below shows our Use of Resources assessment across the three themes.

KLOE	Theme Score
1 – Managing finances	2
2 – Governing the business	2
3 – Managing resources	2

The scores have been quality checked by KPMG's national quality control processes, through a local area based challenge process and nationally by the Audit Commission to ensure consistency in scoring with other auditors and authorities.

The Authority has sound arrangements in all areas under assessment and can demonstrate good practice in some areas. The Authority's system of internal control is strong and effective risk management processes have enabled it to deliver more risky and innovative projects such as the construction and lease of the Railfreight Terminal and the Hadley PFI project. Asset management is integrated strongly into corporate planning processes, and capital investment supports the delivery of corporate priorities. The Authority's investment portfolio delivers an impressive return compared with the national average. The focus of the new assessment is the delivery of outcomes and the Authority needs to focus on delivering excellent services to demonstrate delivery of outcomes and achievement of objectives to improve on its score in 2009/10. Appendix 2 sets out our findings in detail

Use of resources (continued)

We have met with officers and have discussed an action plan to improve the Authority's scores in the 2009/10.

Recommendation 1: Use of Resources assessment

The Authority should review the findings of the Use of Resources assessment and put in place the action plan discussed improve in areas as highlighted by the assessment. In particular the Authority must focus on:

- delivering excellent quality services through systematic service reviews and increased understanding of costs and cost drivers;
- ensuring it understands the needs of its community and commissioning services in ways best suited to meeting these needs; and
- minimising its environmental impact and optimising its use of natural resources.

The action plan should also be regularly monitored and progress reviewed at Audit Committee.

Use of resources (value for money) conclusion

We are required to give an annual conclusion on the adequacy of the Authority's arrangements to ensure effective use of its resources. This is the use of resources or value for money (VFM) conclusion.

For 2008/09, the KLOEs for the scored use of resources assessment directly map to the criteria for the VFM conclusion. The Audit Commission has specified which of the KLOEs will form the relevant criteria for the VFM conclusion and these are summarised in Appendix 4.

Based on our use of resources assessment, we conclude that the Authority has appropriate arrangements in place to ensure the effective use of its resources. Our proposed conclusion is set out in Appendix 1.

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.

We have substantially completed our work on the 2008/09 financial statements.

We have noted an improvement in the quality of the accounts and the supporting working papers and the level of adjustments is below that of previous years.

There are a small number of areas where our work is continuing. Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 30 September 2009.

We will also report that the wording of your Annual Statement of Governance accords with our understanding of the Authority.

Introduction

Our financial statements work can be split into four phases. We previously reported on our work on the first two stages in our *Interim Audit Report 2008/09* issued 28 July 2009.

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 audit protocol 	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 to April 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 to August 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 	September 2009	-

This report focuses on the substantive testing and completion stages, but also includes additional findings in respect of our control evaluation that have been identified since we issued our *Interim Audit Report 2008/09*.

Control evaluation

We tested operation of in-year controls during our interim visit in March. As part of our audit of the financial statements we review certain controls operating at year end, primarily reconciliations between various systems.

In reviewing the year end reconciliation of the cash book to the general ledger, we identified an unreconciled difference of £40,000. We concluded that this was not material to the accounts; however officers should review the reconciliation to identify what this unreconciled difference is.

Financial statements (continued)

Recommendation 2: Reconciliation of the cash book to the general ledger

The Authority should review the reconciliation of the cash book to the general ledger and ensure that this is fully reconciled.

We also reviewed the reconciliation between the cash receipting system, ICON, and the cash book system and the Northgate system, which processes Council Tax and NNDR billing. This included unreconciled differences. Officers were able to reconcile the differences following our query and have agreed that these will be fully reconciled in future.

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 25 June. Our final audit work started on 6 July.
Quality of supporting working papers	Our Accounts Audit Protocol, which we issued in March, set out our working paper requirements for the audit. The quality of working papers provided was generally good and met the standards specified in our Accounts Audit Protocol. We will meet with officers following completion of the accounts audit to discuss how further improvements can be made for next year.
Response to audit queries	The majority of additional audit queries were resolved in a reasonable time. We had weekly meetings with finance officers to discuss progress and adjustments identified.

Substantive testing – critical accounting matters

Our Interim Audit Report included the key accounting issues for 2008/09 financial statements. We have now completed our testing of these areas and the outcome of our work is summarised in Appendix 7. The key findings arising are:

Accounting estimates and valuations

The Authority has reviewed its land and buildings and determined that those valued during 2007/08 are now overvalued due to changes in market conditions during the year. Consequently the valuer has impaired the value of these properties in the 2008/09 accounts. We have reviewed the valuers methodology and are satisfied that the value of land and building assets are not materially misstated. We have also reviewed the Authority's assessment of the recoverability of debt and its provision for doubtful debts and are satisfied that it has made sufficient provision for unrecoverable debt.

Minimum Revenue Provision

Legislation governing capital expenditure by Local Authorities changed in 2008 and the methodology by which authorities calculate Minimum Revenue Provision (MRP) to finance capital expenditure was amended. The amended legislation requires that authorities make 'prudent provision' and is accompanied with guidance on methodologies for calculation of MRP. Telford & Wrekin have calculated MRP for capital expenditure funded by prudential borrowing using the 'asset life' method as specified in the guidance. The Authority has also adjusted its MRP calculation for 2008/09 to reflect recalculation of the MRP charges for 06/07 and 07/08 under the new methodology. Having reviewed the Authority's methodology, we are satisfied that it has made prudent provision.

Single Status

The Authority has not yet finalised implementation of Single Status and has not yet completed the job evaluation and pay modelling process. The implementation date was 1 April 2007 and the Authority has made a provision in its accounts to cover backdated costs to this date on the basis of average costs of settlement at other authorities. We have concluded that this provision is adequate.

Financial statements (continued)

Substantive testing – adjustments to the accounts

In accordance with ISA 260 we are required to report 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.

We have identified a number of adjustments which, in aggregate, we consider material. Management have agreed to adjust the final accounts for these. These adjustments are highlighted in appendix 6.

Adjustments identified include an adjustment for overstated debtors and creditors balances. Similar adjustments were identified in the 07/08 and 06/07 accounts audits and relate to processing invoices around the year end.

Recommendation 3: Processing invoices

The Authority should ensure that staff posting accruals at the year end have sufficient training and knowledge as to when an accrual is needed.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2008: A Statement of Recommended Practice* ('SORP'). We understand that the Authority will be addressing these where significant.

We have provided a summary of audit differences in Appendix 6.

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 and knowledge of the authority, subject to amendment following discussion with officers.

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 Telford & Wrekin Council for the year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and Telford & Wrekin 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 11 in accordance with ISA 260.

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 a representation letter as Appendix 12.. 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.

Financial statements (continued)

Completion – other matters

ISA 260 requires us to communicate “audit matters of governance interest that arise from the audit of the financial statements” to you which includes:

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc); and
- other audit matters of governance interest.

There are no others matters which we wish to draw to your attention.

Completion – opinion

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion by 30 September 2009.

Our proposed opinion on the financial statements is presented in Appendix 5

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

Michael McDonagh

for and on behalf of KPMG LLP

Chartered Accountants

Statutory Auditor

2 Cornwall Street

Birmingham

B3 2DL

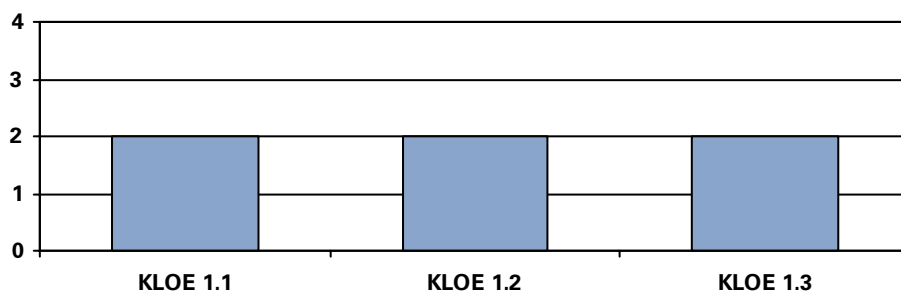
Appendix 2: Use of resources key findings

This appendix summarises key messages from the use of resources assessment by theme and recommendations. The recommendations have been included in appendix 8.

KLOE 1 – Managing finances: overall score - 2

The Authority has sound arrangements in all areas of the KLOE and comfortably fulfils the basic requirements to achieve a level 2, with some good practice elements; however, the Authority does not yet demonstrate the achievement of outcomes consistently across the KLOEs required for a score of 3.

The scores by sub KLOE are summarised in the graph below:



As the Authority has scored level 2 for all criteria, it has met the requirements for the VFM conclusion.

KLOE 1.1 – Financial planning

The Authority has robust financial planning processes and has a track record of achieving its budget. It is also able to demonstrate tangible allocation of resources to priorities.

It now needs to focus on delivering excellent levels of service and achievement of its priorities. There is also room for improvement through greater inclusion of partners and other stakeholders in the financial planning process.

KLOE 1.2 – Understanding costs and achieving efficiencies

The Authority has understanding of its costs and cost drivers but needs to ensure that analysis of costs is systematic and consistent across services and needs to understand and demonstrate whether its costs are comparable with other authorities with respect to the quality of service it provides. It has identified five services for review in 2009/10 following benchmarking to identify 'cost outliers'; it must use these reviews to drive efficiencies and performance.

KLOE 1.3 – Financial reporting

The Authority produces clear and timely internal financial reports. Its financial statements are generally of good quality and the accounts audit process is generally efficient.

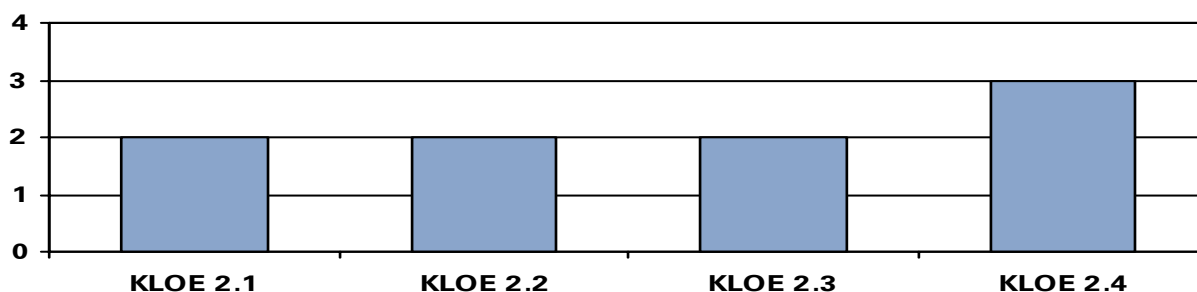
The Authority now needs to ensure it understands what information and in what format its stakeholders require, including reporting on its environmental impact. It should work to ensure that its financial statements are free from material errors when aggregated. It should also more regularly review the financial performance of its significant partnerships and then share and act on this information as appropriate.

Appendix 2: Use of resources key findings (continued)

KLOE 2 – Governing the business: overall score - 2

The Council achieves the basics in all areas and performs strongly in respect of risk management and internal control, demonstrating outcomes from effective arrangements. However, outcomes need to be demonstrated better with regards to procurement, particularly sustainable procurement, outturn performance and governance arrangements.

The scores by sub KLOE are summarised in the graph below:



As the Authority has scored level 2 or above for all criteria, it has met the requirements for the VFM conclusion.

KLOE 2.1 – Commissioning and procurement

The Authority has some good examples of innovate procurement to deliver services, for example the deployment of mobile working for benefits claims assessors which has reduced processing times significantly. The Authority has a member of West Mercia Supplies (WMS) purchasing consortium which generates savings for the Authority. It needs to more robustly review the performance of WMS and to undertake an up to date strategic needs assessment to underpin its commissioning and procurement strategy. This assessment needs to drive long term decisions on commissioning of services. The Authority also needs to work more closely with its partners for the efficient and effective deployment of resources in delivering local services and priorities.

KLOE 2.2 – Data quality and use of information

Data quality arrangements are robust and local performance indicators are developed to monitor delivery of priorities and hence support the decision making process. The 'State of the Borough' report brings together a range of financial and performance information on the Local Strategic Partnership. It now needs to demonstrate that it is using this information to drive improvement and deliver excellent services. It should also ensure that comparative data is consistently presented in performance reporting.

The Authority needs to demonstrate that it is self-aware and has a robust approach to learning from activities such as from service users, post implementation reviews of major projects, external reviews, benchmarking, staff feedback, complaints and whistleblowing cases.

KLOE 2.3 – Good governance

The Authority has sound governance arrangements and its Constitution defines the roles of Members and Officers, Cabinet and Scrutiny Committees, however these are in need of review and updating. It also needs to ensure that it has excellent working relationship between Members and Chief Officers.

The Authority can demonstrate strong partnership working with the Chief Executive chairing the Agenda Group and the Leader chairing the Local Strategic Partnership. It needs to regularly review the effectiveness of its partnership working and that they are providing effective outcomes and VFM.

KLOE 2.4 – Risk management and internal control

The Authority has well established Risk Management which enable it to deliver on more risky and innovate projects, such as the Railfreight Terminal and a PFI project. Counter-fraud work is proactive and there is a strong record of prosecution of fraud cases.

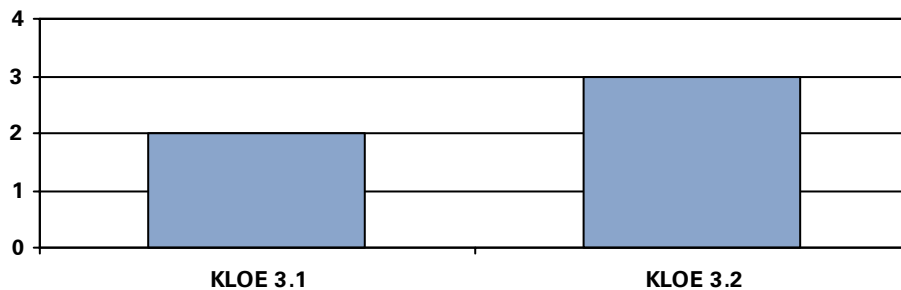
The Authority has a strong system of internal control and has a good Internal Audit function whose work we are able to place reliance on.

Appendix 2: Use of resources key findings (continued)

KLOE 3 – Managing resources: overall score - 2

The Council has sound arrangements for management of its asset base, with examples of good practice generating strong outcomes. However, it now needs to integrate this with management of natural resources and similarly generate outcomes in this field.

The scores by sub KLOE are summarised in the graph below:



As the Authority has scored level 2 or above for both criteria, it has met the requirements for the VFM conclusion.

KLOE 3.1 – Use of natural resources

The Authority is developing its understanding of the natural resources it uses in its operations. It needs to carry out additional work to identify by service which operations produce the most carbon and then target these areas as a priority. Linked to this will be the need to improve the robustness and reliability of its data quality systems associated with carbon emissions, water usage and other resources to monitor and communicate its performance and manage its progress in achieving its strategy.

To reduce future use of natural resources, the Authority has a climate change strategy action plan to assist in the delivery of sustainable initiatives. The strategy needs to be fully supported by delivery plans that address climate change mitigation and adaptation, achieve energy and water efficiency and optimise renewable resources. It also needs to work more closely with partners in managing environmental impact and its use of natural resources.

KLOE 3.2 – Strategic asset management

The Authority’s strategic approach to managing its asset base supports delivery of its corporate priorities. Its operational management of the asset base has driven down costs and increased asset utilisation. The impact of property and assets is considered in all Business Plans which is linked back to resources and service requirements over a rolling 3-5 year period. Capital investment supports corporate priorities and is integrated with corporate and service planning.

The investment property portfolio generates annual revenue of £6m, representing a return of 10% compared with national average of 6%.

The Authority is actively working with its partners to develop a strategic approach to identify opportunities for the shared use of assets and alternative options for ownership.

Appendix 4: Use of resources criteria and link to VFM conclusion

The Audit Commission has specified which of the use of resources KLOEs form the criteria for the VFM conclusion. These criteria are summarised below.

Use of resources KLOE	Relevance to the Authority
Managing finances	
1.1 – Financial planning	✓
1.2 – Understanding costs and achieving efficiencies	✓
1.3 – Financial reporting	✓
Governing the business	
2.1 – Commissioning and procurement	✓
2.2 – Data quality and use of information	✓
2.3 – Good governance	✓
2.4 – Risk management and internal control	✓
Managing resources	
3.1 – Use of natural resources	✓
3.2 – Strategic asset management	✓
3.3 – Workforce planning	X*

*Single tier and county councils are not assessed on KLOE 3.3 – Workforce Planning – in 2008/09.

Appendix 5: Proposed audit report

Independent auditors' report to the Members of Telford & Wrekin Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Telford & Wrekin 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, 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 Telford & Wrekin 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 Telford & Wrekin 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 Telford & Wrekin Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditors

The Responsible Financial Officer'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 only the Explanatory Foreword. 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.

Appendix 5: Proposed audit report (continued)

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.

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

I certify that I 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.

Michael McDonagh
for and on behalf of KPMG LLP

Chartered Accountants
Statutory Auditor
2 Cornwall Street
Birmingham
B3 2DL

Appendix 6: Audit differences

We are required by ISA 260 to report 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 have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Telford & Wrekin Council's financial statements for the year ended 31 March 2009.

Impact					Basis of audit difference
Income and expenditure	Statement of Movement on GF Balance	Assets	Liabilities	Reserves	
		£938k Cr - prepayments	£938k Dr - creditors		A creditor balance has been recorded for an invoice received in 08/09 relating to 09/10. A corresponding prepayment balance was also recorded despite payment not occurring before 31 March.
£1,004k Dr – trading accounts			£1,004k Cr – government grants deferred		Government Grant used to finance purchase of investment properties has been amortised fully in the year of purchase. As investment properties are not depreciated the grant should remain on the balance sheet.
£113k Cr – net cost of services	£113k Dr – transfers to earmarked reserves				An unnecessary charge to the I&E account has been made to bring finance lease assets onto the balance sheet.
		£4,583k Dr Fixed assets revaluations £4,583k Cr fixed asset additions			Transfers from Assets Under Construction to Operational Assets has been recorded as impairments and additions.
£5,134k Cr – Net cost of services (various)		£5,134k Dr – fixed asset revaluations £5,134k Cr – fixed asset additions		£5,134k Dr – Capital Adjustment account	Assets which have previously been written out as deminimis have been brought back onto the balance sheet as additions.
£2,289k Dr - gains on repurchase of borrowing £2,289 Cr – Interest payable					Gains or losses on the early settlement or repurchase of borrowing are included in interest payable under the 2008 SORP


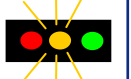

Appendix 7: Accounts risk areas

This appendix summarises the key accounting issues for the 2008/09 financial statements and our final findings following our substantive work.

Issue	Risk and implications	Findings during final audit
<p>Compliance with the 2008 SORP</p> <p>The 2008 SORP includes a number of changes such as a change in the valuation basis for pension assets and prohibiting the revaluation of fixed assets on disposal.</p> <p>The introduction of the STRGL in the 2006/07 statements proved challenging for the Authority and consequently several prior period adjustments were required in the 2007/08.</p>	<p>There is a risk that changes to the 2008 SORP will not be implemented correctly, which may result in increased audit resource and cost for the financial statement audit.</p>	<p>The Authority has implemented the vast majority of the changes to the 2008 SORP correctly. However, we did identify one change which the Authority had not implemented correctly and the accounts were amended to reflect this.</p>
<p>Accounting estimates and valuations</p> <p>The current economic environment introduces a number of risks for the financial statements, in particular for estimates and valuations. This includes the valuation of fixed assets which are carried at market value (such as investment properties and surplus assets) and the assessment of recoverability of debts to determine appropriate provisions.</p>	<p>There is a risk that valuation of assets held at market value in the financial statements are not valued accurately. The recoverability of debts may also be misstated in the accounts.</p>	<p>We have reviewed the valuer's assessment of the impact of market conditions on asset values and have concluded that the process was sufficiently robust.</p> <p>We have also assessed the Authority's provision for doubtful debts and have concluded that it is adequate.</p>
<p>Minimum Revenue Provision</p> <p>The <i>Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008</i> now require authorities to make a 'prudent' provision. The Authority will be basing the 2008/09 MRP on asset lives for capital expenditure financed by prudential borrowing. This is more complex than the methodology adopted previously and requires accurate fixed asset information.</p>	<p>There is a risk that the Authority's chosen methodology for determining MRP does not make prudent provision for the repayment of debt.</p>	<p>We have reviewed the Authority's methodology for calculating MRP and concluded that it is compliant with legislation.</p>
<p>Single Status</p> <p>Single Status is the process by which local authorities are reviewing employees' pay and remodelling pay to ensure compliance with equalities legislation. The Authority has not yet completed this process or reached agreement with interested parties on a final settlement.</p>	<p>The Authority faces the risk of legal challenge from unions and employees if implementation does not satisfy legislation.</p>	<p>The Authority has again provided for backdated costs of implementation and have concluded that this is adequate on the basis of current information.</p>

Appendix 8: Recommendations

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take. We will follow up these recommendations next year.

Priority rating for recommendation		
<p>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.</p> 	<p>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.</p> 	<p>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.</p> 

No.	Risk	Issue and recommendation	Management response	Officer and due date
1	● (two)	<p>Use of Resources assessment</p> <p>The Authority should review the findings of the Use of Resources assessment and put in place the action plan discussed improve in areas as highlighted by the assessment. The action plan should also be monitored and progress reviewed at Audit Committee. In particular the Authority must focus on:</p> <ul style="list-style-type: none"> • delivering excellent quality services through systematic service reviews and increased understanding of costs and cost drivers; • ensuring it understands the needs of its community and commissioning services in ways best suited to meeting these needs; and • minimising its environmental impact and optimising its use of natural resources. <p>The action plan should also be regularly monitored and progress reviewed at Audit Committee.</p>	<p>Officers have reviewed the feedback from the assessment and compared to the actions in the Council’s priority plans. If they have not been already identified they have been included, if appropriate.</p> <p>This is being addressed through Priority Plan 7 – A Modern Efficient and Effective Council.</p> <p>This is being addressed through the C&YP, Adult and Well Being and Modern Effective Council plans.</p> <p>This is being addressed through the Environment Plan.</p> <p>Priority plans are reviewed regularly by CMT and with the Leader and Cabinet lead for performance management. Any key issues will be reported to the Audit Committee as part of the AGS.</p>	<p>Richard Partington/Paul Clifford</p> <p>On going but by 31st March 2010.</p>
2	● (two)	<p>Reconciliation of the cash book to the general ledger</p> <p>The Authority should review the reconciliation of the cash book to the general ledger and ensure that this is fully reconciled..</p>	<p>Around £2.2bn transactions are processed through the cash book each year and an unreconciled difference of £40,000 was shown at year end. Processes will be reviewed and staff will endeavour to minimise the unreconciled value for 2009/10.</p>	<p>Ken Clarke</p> <p>31st March 2010</p>
3	● (two)	<p>Processing invoices</p> <p>The Authority should ensure that staff posting accruals at the year end have sufficient training and knowledge as to when an accrual is needed.</p>	<p>Systems and processes will be reviewed for the 2009/10 closedown processes; this will include specifically checking the Purchase Ledger automated accruals. Further, updated guidance will be provided to finance and other relevant staff.</p>	<p>Ken Clarke</p> <p>31st March 2010</p>

Appendix 9: Follow up of previous recommendations

This appendix summarises the progress made to implement the recommendations identified in our previous reports.

Report	Number of recommendations that were:		
	Included in original report	Implemented in year or superseded	Remain outstanding (re-iterated below)
ISA 260 Report 2007/08	3	3	0
Annual External Audit Report 2007/08	5	1	4 ongoing
Total	8	4	4 (ongoing)

No.	Risk	Issue and recommendation	Management response	Officer and due date	Status at August 2009
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ISA 260 Report 2007/08

1	● (two)	<p>Enhancing the accounts closedown process</p> <p>The Authority should update its accounts closedown process to include detailed consideration of accounting changes at an early stage. The closedown timetable should also identify which working papers can be prepared and reviewed earlier.</p>	<p>As flagged previously in response to the interim report, additional resources were already planned and are now in place in Corporate Finance which will provide capacity to focus and plan for accounting changes at an earlier stage in the closedown process.</p> <p>The closedown timetable will be reviewed to assess whether any working papers can be produced earlier.</p>	Paul Clifford 31/3/09	We have discussed accounting changes and other issues during monthly meetings with finance officers which has resulted in an improved accounts production process as evidenced by fewer audit adjustments than in 2007/08. We will discuss with officers how the quality of working papers can be improved further in 2009/10.
2	● (two)	<p>Calculating the provision for doubtful debts</p> <p>The Authority should review its methodology for providing against doubtful debts and ensure that this is applied to a consistent standard by all Portfolios.</p>	<p>Agree. The methodology will be reviewed across all Portfolios prior to the 2008/09 final accounts but needs to take account of the nature of different debts involved so consistency doesn't have to mean the same % provision etc.</p>	Paul Clifford 31/3/09	The Authority has reviewed its methodology and we are satisfied that provision made is adequate.
3	● (two)	<p>Capital accounting</p> <p>The Authority should accrue for retentions on capital contracts once the contracted work is complete.</p> <p>The Authority should review the methodology for capitalising salary costs to ensure that only costs directly attributable to acquisition and construction of fixed assets are capitalised. Costs capitalised should be supported by adequate records.</p>	<p>Officers quantified the value of the retentions at £278k for 2007/08 which is not material and therefore the adjustment was not made. The policy will be reviewed for 2008/09 and retentions will be accrued as appropriate.</p> <p>Further guidance will be issued to Finance Officers on the methodology for capitalising salary costs and the need to ensure adequate records are maintained.</p>	Paul Clifford 31/3/09	<p>We sample tested a number of capital contracts and found that in virtually all instances retentions had been accrued. However, one contract retention had not been accrued for, and in addition we considered that the value of this was not material.</p> <p>Our sample of expenditure also included capitalised staff costs. These were supported by adequate records.</p>

Appendix 9: Follow up of previous recommendations (continued)

No.	Risk	Issue and recommendation	Management response	Officer and due date	Status at August 2009
Annual External Audit Report 2007/08					
1	● (two)	<p>Monitoring the impact of economic conditions</p> <p>Since the Authority's ambitious plans in terms of regeneration, such as the town centre redevelopment, have significant reliance on commercial investment, the Authority should keep the scope and timetable of its plans under review to ensure that they reflect the current and ongoing economic situation.</p>	<p>In light of the current economic conditions, a review of the main capital programme is underway which will feed into the 2009/10 to 2011/12 Service & Financial Planning Strategy; this will focus on the availability of capital receipts. All key assumptions built into the budget strategy are also being reviewed, including inflation provisions and investment & borrowing assumptions. Further the impact of the recession on Council services is also being closely monitored.</p>	<p>Paul Clifford February 2009 and ongoing</p>	<p>The Authority has reviewed its capital programme in light of delays in the expected timing of capital receipts. Since the economic outlook remains uncertain, the Authority will need to continue to aware of the need to respond to further pressures. It will also need to consider the implications in the medium term of future funding restrictions in the wider public sector.</p>
2	● (one)	<p>Project planning for IFRS conversion</p> <p>The Authority should create a project plan setting out the steps to achieving IFRS conversion and when each will be completed. The project plan should be monitored regularly by the Audit Committee.</p>	<p>A project plan is being prepared in relation to IFRS. This will be monitored and reviewed at the fortnightly Finance Board meetings which are in place (inviting other officers as appropriate). Updates will be provided to the Audit Committee.</p>	<p>Paul Clifford January 2009 and ongoing</p>	<p>A project plan is in place and the Authority have engaged KPMG to provide advice in preparing for implementation to a degree appropriate in its capacity as external auditor.</p>
3	● (one)	<p>Prioritising VFM improvement</p> <p>The Authority should ensure that the scope for improving VFM is well understood in each major service area, based on an understanding of what factors influence existing cost and performance. The VFM Scrutiny Group will need to demonstrate that it is effectively monitoring and facilitating improvement with regards to VFM across the Authority's priority areas.</p>	<p>Value for money continues to be reviewed as appropriate across the Council. The value for Money Scrutiny Group will continue to monitor this.</p>	<p>Richard Partington Ongoing</p>	<p>The Authority has identified five services to be reviewed in 2009/10 for VFM. Our Use of Resources assessment concludes that the Authority needs to continue to improve with regards to VFM.</p>
4	● (two)	<p>Planning for CAA Use of Resources</p> <p>The Authority should review the KLOEs and guidance for the CAA Use of Resources framework and should identify the areas where new requirements not yet in place at the Authority could be implemented to benefit its services. It should also review how to demonstrate the impact of existing arrangements in areas where it believes scores of 3 or 4 are achievable.</p>	<p>The Council continues to prepare for CAA Use of Resources.</p>	<p>Richard Partington Ongoing</p>	<p>Our Use of Resources assessment for 2008/09 is discussed in detail in appendix 2.</p>

Appendix 9: Follow up of previous recommendations (continued)

No.	Risk	Issue and recommendation	Management response	Officer and due date	Status at August 2009
5	● (two)	<p>Embedding data quality arrangements</p> <p>The Authority should review its data quality arrangements in the light of our findings and those of Internal Audit. In particular, it should identify what enhancements are necessary to its training procedures and to testing and verification at service level.</p>	All Data Quality review results are reported to Policy, Performance & Partnership and the Information Governance Board. Appropriate action is taken when identified.	Hilary Knight On-going	Our spot checks identified some minor weaknesses. The Authority should therefore continue its efforts to embed data quality arrangements.

Appendix 10: Audit reports issued

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

Report	Date issued
Audit and Inspection Plan 2008/09	June 2008
Interim Audit Report 2008/09	July 2009

Appendix 11: 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 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 11: 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 Telford & Wrekin Council for the financial year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and the Telford & Wrekin 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 12: 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 Telford & Wrekin 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 Telford & Wrekin 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 12: Draft management representation letter (continued)

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.

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 23 September 2009.

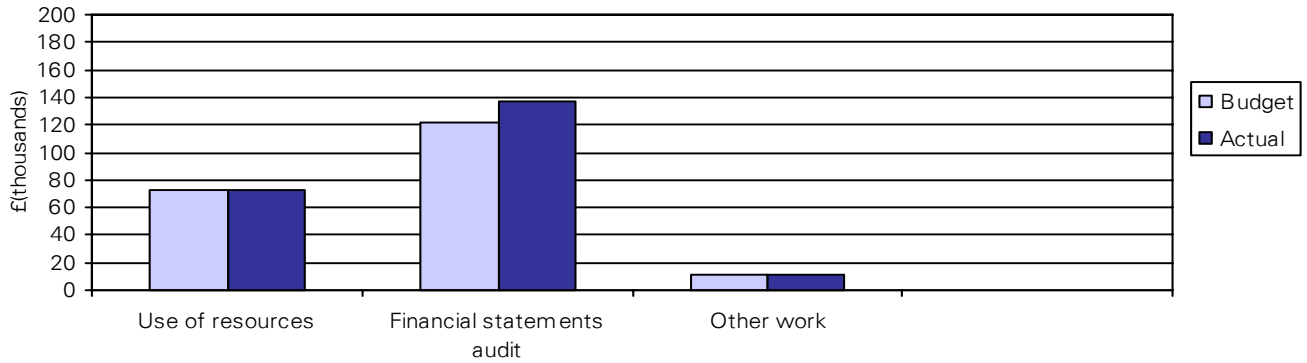
Yours faithfully

On behalf of Telford & Wrekin Council

Appendix 13: 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



The outturn fee for the financial statements audit represents an increase on the original fee agree in June 2008 following completion of the 2007/08 accounts audit and reassessment of the level of risk associated with the audit.