



Audit 2007/8

Report to those
charged with
governance

**Catalogue Supplies Joint
Service Committee**

13th November 2008

AUDIT

Content

The contacts at KPMG in connection with this report are:

Ian Pennington
Director
KPMG LLP (UK)

Tel: 029 2046 8087
ian.pennington@kpmg.co.uk

Catherine Griffiths
Audit Manager
KPMG LLP (UK)

Tel: 029 2046 8014
catherine.griffiths@kpmg.co.uk

Page

Accounts and Statement of Internal Control

2

Appendices:

4

1. Proposed audit report
2. Audit differences
3. Declaration of independence and objectivity

This report is addressed to the Committee and has been prepared for the sole use of the Committee. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Wales Audit Office has issued a document entitled Statement of Responsibilities of Appointed Auditors, and Inspectors, and of Audited and Inspected 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 Ian Pennington who is the engagement lead to the Committee, telephone 029 2046 8087 who will try to resolve your complaint. If you are dissatisfied with your response please contact Gilbert Lloyd, telephone 029 2046 8090 email gilbert.lloyd@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Wales Audit Office. After this, if you still dissatisfied with how your complaint has been handled you can contact the Complaint Investigation Manager at the Wales Audit Office, telephone 02920 260 260 or e-mail complaints@wao.gov.uk. The complaints investigation manager may also be contacted in writing at 2-4 Park Grove, Cardiff, CF10 3PA.



Accounts and Annual Governance Statement

Purpose of this report

We report to those charged with governance (in this case the Joint Committee) at the time you are considering the statement of accounts. 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 statement of accounts for the year ended 31 March 2008. It has been prepared for presentation to the Joint Committee on 13th November 2008.

Status of the Audit

We have now completed the audit. We have identified no issues in the course of the audit that are considered to be material or any material weaknesses in the Committee's internal controls. On receiving your management representations letter and following your discussion at the committee meeting we expect to issue an unqualified audit opinion on 13th November 2008. Subject to discussions at the Committee, we do not propose to modify our report. Our proposed opinion on the accounts is presented in Appendix 1.

The main area for discussion is the continuing appropriateness of the accounting convention. The Joint Committee saw a loss of its energy rebate income during 2007/08, and is in the process of a fundamental review of its objectives and operations. Management have taken actions that they are confident have dealt with the income reduction. When the accounts are signed, which is due to take place immediately after the Committee meeting, the Committee and signing officer need to be assured that the organisation will be able to continue in business and meet all its debts as they fall due for payment, for at least a year after the date of signing.

Before recommending the accounts for signature, the Committee should consider the various issues facing the business and conclude on the continuing appropriateness of the going concern accounting convention.

Results

We are required to communicate both corrected and uncorrected items in the accounts to you. Where items have not been corrected we agree with management that they are not material and do not require correction. We have provided a summary of both corrected and uncorrected items at Appendix 2.

In addition, we identified a number of typographical and presentational changes which have been made, mostly in order to better comply with the new SORP for Local Authority accounts. These are considered trivial and are not individually reported.

Opinions and Representations

As part of the accounts 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 3.

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 understand a draft of this letter is being tabled at the 13th November Committee meeting. Once we have received this we expect to issue our audit opinion.

Accounts and Annual Governance Statement (continued)

Other Matters

Under ISA 260, we also report where specific circumstances arise, including where we detect that there is suspected or actual fraud, even where this is not material to the accounts, unless prohibited from doing so by money laundering regulations. In addition we report whether the Joint Committee's accounting statements and related notes and other information in the statement of accounts are inconsistent. We also report any material weaknesses in Internal Control identified during the audit or matters which we feel are of governance interest.

There are no such matters to report although you should be aware that we do not provide a comprehensive statement of all weaknesses that may exist in internal controls or where improvements may be made but have only addressed those matters which have come to our attention as a result of audit procedures performed.

The Committee should note that this is the first year that they have published an Annual Governance Statement in the accounts. It is voluntary in Wales for 2007/08 and very few organisations have adopted early. The Statement replaces the Statement of Internal Control.

Declaration of independence and objectivity

In relation to the audit of the financial statements of Catalogue Supplies Joint Service Committee for the financial year ending 31 March 2008, we confirm that there were no relationships between KPMG LLP and Catalogue Supplies Joint Service Committee, its council members 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 Wales Audit Office's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Appendix 1: Proposed audit report

Independent auditor's report to the Members of Catalogue Supplies Joint Service Committee

We have audited the accounting statements and the related notes of Catalogue Supplies Joint Service Committee for the year ended 31 March 2008 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the Surplus of the Income and Expenditure Account, Balance Sheet, Cash Flow Statement, and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Catalogue Supplies Joint Service Committee in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales.

Our audit work has been undertaken so that we might state to the Joint Committee, as a body, those matters we are required to state to it 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 Catalogue Supplies Joint Service Committee, 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 the independent auditor:

The responsible 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 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 Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the local government body and its income and expenditure for the year.

We review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government 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 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 Council'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.

Basis of audit opinion

We conducted our audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, 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 Catalogue Supplies Joint Service Committee in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the local government body's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Appendix 1: Proposed audit report (continued)

Opinion

In our opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of Catalogue Supplies Joint Service Committee as at 31 March 2008 and its income and expenditure for the year then ended.

Certificate

We certify that we have completed the audit of the accounts of Catalogue Supplies Joint Service Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales.

KPMG LLP
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE

November 2008

Appendix 2: 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 Joint 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.

We confirm that there are no corrected or uncorrected audit differences to report. There were a number of minor presentational and typographical changes, but not of sufficient significance to report separately.

Appendix 3: Declaration of independence and objectivity

Declaration of Independence and Objectivity 2007/08

Auditors appointed by the Wales Audit Office must comply with the *Auditor General's Code of Audit and Inspection Practice* (the Code) which states that:

"Auditors and inspectors carry out their work with independence and objectivity, in accordance with appropriate ethical standards. Their opinions, conclusion and recommendations should be, and be seen to be, impartial."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code 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. Wales Audit Office 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; and
- 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.

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.

Appendix 3: Declaration of independence and objectivity

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 Catalogue Supplies Joint Committee – County Borough Supplies - for the financial year ending 31 March 2008, we confirm that there were no relationships between KPMG LLP and the Committee, its members and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement partner and audit staff. We also confirm that we have complied with Ethical Standards and the Wales Audit Office's requirements in relation to independence and objectivity.