



28 July 2006

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Dear Nadine

New reporting arrangements and your letter of representation

Reporting changes

You may already be aware of changes being made in the way in which we report the results of our work to the Council, particularly in relation to the provision of a conclusion on the Council's value for money, (VFM), arrangements. The attached note explains in more detail the way in which we expect to report to the Council as a result. It would be useful if this note were shared with the Council's Audit Committee to ensure they understand what reports they can expect from us in the near future together with their purpose.

The key changes are:

- the introduction of an annual governance report to be presented to the Audit Committee in September, (20th September this year). This will include our draft proposed audit opinion on the accounts and conclusion on the VFM arrangements. This report replaces the former SAS610 report and now includes the key evidence used to support our VFM conclusion
- a change in style to our annual letter which will be a more high level, concise report covering only the key issues arising from the audit and inspection programme and including the results of the direction of travel assessment.

Letter of representation

The annual governance report also includes an additional change to reflect the international standards for auditing, (ISA), requirements around the provision of the letter of representation. ISA 580 states that "it is usually appropriate for the auditor to request that the management representation letter be discussed and agreed by those charged with governance and signed on their behalf by the chairman and secretary, before they approve the financial statements, to ensure that all those charged with governance are aware of the representations on which the auditor intends to rely in expressing the auditor's opinion on those financial statements".

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For this reason the proposed letter of representation is included as an appendix to our annual governance report. Our expectation is that the members will receive a revised statement of accounts, (where appropriate), together with our annual governance report and the proposed letter of representation in September. The Chair of the Audit Committee would then be expected to sign the letter of representation following discussion of these items.

I would therefore be grateful if you could share the contents of this letter and the attached note with the Chair of the Audit Committee. I would be happy to discuss this further with yourself and the Chair if this would be considered helpful.

Yours sincerely

Fiona Blatcher
Audit Manager